

TREASURER'S REPORT

Taylor and Company have finalized our annual audit for the fiscal year ending December 31, 2022 and all previous years audits are complete. A draft copy of the 2022 audit is included in your packet.

A table showing the 2022 net profit is below, as well as an outline of the key drivers of the 2022 net profit.

	2022 Budget	2022 Actual
Program and Fundraising Income	\$6,058,180	\$6,414,786
Program Expenses	\$5,712,208	\$5,738,372
Administrative & Fundraising Expenses	\$464,111	\$422,473
Net Profit	\$(118,139)	\$253,941

Notes Fiscal Year 2022

- Revenue was \$356,606 or approx 5.8% higher than expected.
- Expenses were \$15,474 or approx. 1% higher than expected.
- Fundraising efforts yielded a net of \$137,476 which was used for the Real Colorado Park Expenses and Scholarship.
- Total Balance in team checking accounts as of 12/31/22 was \$707,747
 - Team checking accounts will continue to be monitored in 2023.
 - Random audits will continue to be performed in house on team accounts in 2023
 - New Team Managers and Team Treasurers will be subject to background search with regard to involvement and payment history in our club to insure account protection.

DRAFT

**DOUGLAS COUNTY SOCCER ASSOCIATION, INC.
dba REAL COLORADO SOCCER**

Financial Statements

For the Year Ended December 31, 2022

And

Independent Auditors' Report

**DOUGLAS COUNTY SOCCER ASSOCIATION, INC.
dba REAL COLORADO SOCCER**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Douglas County Soccer Association, Inc.
dba Real Colorado Soccer

We have audited the accompanying financial statements of Douglas County Soccer Association, Inc. dba Real Colorado Soccer (Real Colorado Soccer), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Real Colorado Soccer as of December 31, 2022 and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Real Colorado Soccer and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about Real Colorado Soccer's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Real Colorado Soccer's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Real Colorado Soccer's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of Real Colorado Soccer as of December 31, 2021 were audited by other auditors whose report dated September 30, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**DOUGLAS COUNTY SOCCER ASSOCIATION, INC.
dba REAL COLORADO SOCCER****STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 (with comparative totals for 2021)**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,375,909	\$ 1,108,520
Accounts receivable	223,885	401,119
Prepaid expenses and deposits	<u>194,736</u>	<u>108,831</u>
Total current assets	1,794,530	1,618,470
OPERATING LEASE RIGHT OF USE ASSET, NET	231,733	
PROPERTY AND EQUIPMENT, NET	<u>4,327,731</u>	<u>4,465,953</u>
TOTAL ASSETS	<u>\$ 6,353,994</u>	<u>\$ 6,084,423</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 65,381	\$ 80,595
Payroll liabilities	79,763	91,807
Deferred registration fees	233,382	292,028
Current portion of operating lease liability	50,496	
Current portion of notes payable	<u>146,894</u>	<u>133,141</u>
Total current liabilities	575,916	597,571
OPERATING LEASE LIABILITY, NET OF CURRENT PORTION	184,145	
NOTES PAYABLE	<u>2,409,711</u>	<u>2,556,570</u>
TOTAL LIABILITIES	<u>3,169,772</u>	<u>3,154,141</u>
NET ASSETS		
Without donor restrictions	3,182,523	2,899,516
With donor restrictions	<u>1,700</u>	<u>30,766</u>
Total	<u>3,184,223</u>	<u>2,930,282</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,353,994</u>	<u>\$ 6,084,423</u>

See notes to financial statements.

DOUGLAS COUNTY SOCCER ASSOCIATION, INC.
dba REAL COLORADO SOCCER

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND OTHER SUPPORT				
Registration fees	\$ 5,314,825		\$ 5,314,825	\$ 3,933,840
REAL field assessments	295,800		295,800	253,365
Camp fees	258,385		258,385	254,480
Sponsorships and contributions	218,356	\$ 1,100	219,456	175,545
Tournaments	131,674		131,674	134,653
Contract service fees	96,517		96,517	25,747
Grant income	47,450		47,450	
Fundraising activities	27,174		27,174	49,864
Affiliations - Edge	11,250		11,250	15,000
Interest	3,902		3,902	2,113
Acquisition income				238,166
Employee retention tax credit				261,612
Paycheck Protection Program loan forgiveness				708,010
Other	8,353		8,353	8,739
Net assets released from restriction	30,166	(30,166)		
Total revenues	6,443,852	(29,066)	6,414,786	6,061,134
EXPENSES				
Program services	5,738,372		5,738,372	4,663,085
Supporting services:				
General and administrative	313,319		313,319	254,234
Fundraising	109,154		109,154	85,853
Total expenses	6,160,845	—	6,160,845	5,003,172
CHANGE IN NET ASSETS	283,007	(29,066)	253,941	1,057,962
NET ASSETS, Beginning of year	2,899,516	30,766	2,930,282	1,872,320
NET ASSETS, End of year	\$ 3,182,523	\$ 1,700	\$ 3,184,223	\$ 2,930,282

See notes to financial statements.

DOUGLAS COUNTY SOCCER ASSOCIATION, INC.
dba REAL COLORADO SOCCER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022				2021 Total
	Program Services	Support Services		Total	
		General and Administrative	Fund- raising		
EXPENSES					
Salaries	\$ 1,789,870	\$ 208,124	\$ 83,250	\$ 2,081,244	\$ 1,664,945
Coaching fees	788,819			788,819	648,660
Field maintenance	477,161			477,161	353,146
Development Academy	451,877			451,877	448,394
Payroll taxes and fringe benefits	319,082	37,103	14,841	371,026	290,446
Rental	321,949			321,949	249,165
Referee fees	298,644			298,644	233,638
Registrations	202,970			202,970	178,000
Bank fees	153,356			153,356	130,990
Interest	151,250			151,250	155,924
Scholarships	137,914			137,914	76,921
Equipment and software fees	109,631			109,631	95,989
Repairs and maintenance	71,804			71,804	47,442
Professional fees	19,122	44,617		63,739	61,804
Equipment and supplies	56,028			56,028	34,464
Telephone	22,095			22,095	21,931
Awards and gifts	11,070	10,580		21,650	11,560
Insurance	18,515			18,515	23,120
Travel	17,619			17,619	9,264
Meals and entertainment	8,175	658	4,261	13,094	8,920
Utilities	10,091			10,091	9,193
Advertising	6,274			6,274	4,983
Business development					6,599
Other expenses	104,050	4,255	2,809	111,113	10,524
Total	5,547,366	305,336	105,161	5,957,863	4,776,022
Depreciation	191,006	7,983	3,993	202,982	227,150
TOTAL	<u>\$ 5,738,372</u>	<u>\$ 313,319</u>	<u>\$ 109,154</u>	<u>\$ 6,160,845</u>	
PERCENTAGE	93%	5%	2%	100%	
TOTAL - 2021	<u>\$ 4,663,085</u>	<u>\$ 254,234</u>	<u>\$ 85,853</u>		<u>\$ 5,003,172</u>
PERCENTAGE - 2021	93%	5%	2%		100%

See notes to financial statements.

DOUGLAS COUNTY SOCCER ASSOCIATION, INC.
dba REAL COLORADO SOCCER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ 253,941	\$ 1,057,962
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	202,982	227,150
Amortization of right of use asset	48,571	
Amortization		6,889
Paycheck Protection Program loan forgiveness		(708,010)
Changes in operating assets and liabilities:		
Accounts receivable	177,234	(396,709)
Prepaid expenses	(85,905)	(25,593)
Payroll liabilities	(12,044)	11,666
Accounts payable	(15,215)	17,999
Deferred revenue	(58,646)	150,711
Payments on operating lease liability	(45,663)	
Net cash provided by operating activities	<u>465,255</u>	<u>342,065</u>
INVESTING ACTIVITIES		
Net cash used in investing activities —		
Acquisition of property and equipment	<u>(64,760)</u>	<u>(56,823)</u>
FINANCING ACTIVITIES		
Proceeds from notes payable	(133,106)	(124,556)
Loan refinance costs		(41,330)
Proceeds from Paycheck Protection Program loan		<u>328,655</u>
Net cash (used in) provided by financing activities	<u>(133,106)</u>	<u>162,769</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	267,389	448,011
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,108,520</u>	<u>660,509</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,375,909</u>	<u>\$ 1,108,520</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 151,250</u>	<u>\$ 155,924</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of right of use asset financed with operating lease liability	<u>\$ 280,304</u>	<u>\$ —</u>

See notes to financial statements.

**DOUGLAS COUNTY SOCCER ASSOCIATION, INC.
dba REAL COLORADO SOCCER**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Douglas County Soccer Association, Inc. dba Real Colorado Soccer (Real Colorado Soccer) is a nonprofit corporation incorporated for the purpose of providing quality soccer programs, facilities, staff, education, leadership and management while developing youth. Real Colorado Soccer is supported primarily through registration fees, camp fees and field assignments.

Basis of Presentation — Real Colorado Soccer reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represents resources restricted by donors as to purpose or by the passage of time and resources whose use by Real Colorado Soccer is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Real Colorado Soccer.

Revenue Recognition — Registration fees are deferred and recognized over the periods to which the income relates.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction is met, 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.

Cash and Cash Equivalents — Real Colorado Soccer considers all highly liquid investments with original maturities of three months or less, and which are not held for long-term investment purposes, to be cash and cash equivalents. At times during the year, Real Colorado Soccer's cash accounts may exceed Federal Deposit Insurance Corporation limits. Real Colorado Soccer has not experienced any losses in such accounts.

Accounts Receivable — Accounts receivable are stated at the invoiced amount. At December 31, 2022 and 2021, there was no allowance for doubtful accounts.

Property and Equipment — All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from three to twenty years.

Deferred Revenue — Income from registration fees is deferred and recognized over the periods to which the fees relate.

Advertising — Real Colorado Soccer expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. For the years ended December 31, 2022 and 2021, advertising expenses were \$6,274 and \$4,983, respectively.

Use of Estimates — Preparation of Real Colorado Soccer's 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes — Real Colorado Soccer is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, Real Colorado Soccer qualifies for the charitable contribution deduction.

Real Colorado Soccer believes that it does not have any uncertain tax positions that are material to the financial statements.

Subsequent Events — Real Colorado Soccer has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

There are no contractual restrictions or board designations on financial assets to meet cash needs for general expenditures. The following table reflects Real Colorado Soccer's financial assets as of December 31:

	2022	2021
Cash and cash equivalents	\$ 1,375,909	\$ 1,108,520
Accounts receivable	<u>223,885</u>	<u>401,119</u>
Total	1,599,794	1,509,639
Less amounts unavailable for general expenditures within one year, due to donor restrictions	<u>(1,700)</u>	<u>(30,766)</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 1,598,094</u>	<u>\$ 1,478,873</u>

As part of Real Colorado Soccer's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Real Colorado Soccer's working capital and cash flows have seasonal variations during the year attributable primarily to the annual registration cycle and the concentration of payments received according to payment plans established during the registration process. Real Colorado Soccer's policy is generally to maintain financial assets to meet six to nine months of operating expenses.

3. FUNCTIONAL EXPENSES ALLOCATION METHODS

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of Real Colorado Soccer. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salary and benefits, which are allocated on the basis of estimates of time and effort spent by staff on various soccer programs offered by Real Colorado Soccer.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2022	2021
Land and development costs	\$ 3,465,796	\$ 3,429,214
Fields and field improvements	2,150,374	2,145,464
Soccer equipment	132,745	132,745
SVSC furniture and equipment	110,604	110,604
Furniture and equipment	79,804	70,545
Leased equipment	14,327	14,327
Leasehold improvements	<u>14,008</u>	<u> </u>
Total	5,967,658	5,902,899
Less accumulated depreciation	<u>(1,639,927)</u>	<u>(1,436,946)</u>
Property and equipment, net	<u>\$ 4,327,731</u>	<u>\$ 4,465,953</u>

5. NOTES PAYABLE

Notes payable consist of the following on December 31:

	2022	2021
In September 2010, Real Colorado Soccer purchased approximately 22 acres of land located in Douglas County, Colorado. The acquisition was funded, in part, with a note payable. On January 15 2021, Real Colorado Soccer refinanced the note payable. Monthly interest payments of \$17,647 commenced February 15, 2021. The entire outstanding principal balance, together with all accrued and unpaid interest, will be due on January 15, 2026. The note carries an interest rate of 5.50%.	\$ 2,408,248	\$ 2,448,988
In July 2018, Real Colorado Soccer entered into an agreement to acquire a Shaw Turf project. Per the agreement, Real Colorado Soccer may request up to \$400,000 to be applied towards construction costs of the project, paid by a third party/creditor. On January 15, 2021, Real Colorado Soccer refinanced the loan. The new loan terms require monthly payments of \$6,049. The interest rate is fixed at 7.06%.	<u>182,798</u>	<u>240,723</u>
Total	<u>\$ 2,591,046</u>	<u>\$ 2,689,711</u>

Required annual minimum principal payments on the notes are as follows for the years ending December 31:

2023	\$ 146,894
2024	151,643
2025	136,242
2026	<u>2,121,826</u>
Total	<u>\$ 2,556,605</u>

The notes payable to financial institutions contain a restrictive covenant pertaining to debt service coverage ratio. Real Colorado Soccer is required to maintain a debt service coverage ratio of 1.30 measured annually. At December 31, 2022, the ratio was 2.85, which is compliant with the loan agreement.

6. DEFERRED REVENUE

Registration fees are deferred and recognized over the periods to which the income relates. As of December 31, 2022 and 2021, Real Colorado Soccer had deferred registration fees of \$233,382 and \$292,028, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	2022	2021
Alex Perez donation	\$ 1,700	\$ 600
Scholarships		<u>30,166</u>
Total	<u>\$ 1,700</u>	<u>\$ 30,766</u>

8. OPERATING LEASE

Real Colorado Soccer adopted ASU 2016-02, effective January 1, 2022. Real Colorado Soccer has an operating lease for their office space. Real Colorado Soccer determines if an arrangement is a lease at the inception of a contract. Leases with an initial term of twelve months or less (short-term lease) are not recorded on the statements of financial position.

For leases that commenced before the effective date of ASU 2016-02, Real Colorado Soccer elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases.

Right of use assets (ROU assets) represent Real Colorado Soccer's right to use an underlying asset during the lease term, and lease liabilities represent Real Colorado Soccer's obligation to make lease payments arising from the lease.

ROU assets and operating lease liabilities of approximately \$280,000 were recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. Real Colorado Soccer's lease terms are subject to an escalation clause. As Real Colorado Soccer's operating lease does not provide an implicit rate, and Real Colorado Soccer could not provide a reasonable estimated incremental borrowing rate, Real Colorado Soccer elected to use the risk-free rate as of the commencement date in determining the present value of lease payments. Real Colorado Soccer considers publicly available data for instruments with similar characteristics when calculating its risk-free rate.

Operating fixed lease expense is recognized on a straight-line basis over the lease term.

Operating lease costs incurred were \$66,907 for the year ended December 31, 2022.

Other information:

Cash paid for amounts included in the measurement of lease liability:

Operating cash flows from operating lease	\$ 63,998
Remaining lease term	4.0 years
Discount rate	7.06%

Undiscounted cash flows for the operating lease as of December 31, 2022 are as follows:

2023	\$ 65,453
2024	66,907
2025	68,361
2026	<u>69,816</u>
Future minimum lease payments	270,537
Lease amount representing interest	<u>35,896</u>
Operating lease obligation recognized on the balance sheet	<u>\$ 234,641</u>

9. Team Accounts

Individual teams maintain their own checking accounts under the federal employee ID number of Real Colorado Soccer. The balances of these accounts at year-end total \$707,747. The team accounts are not included in these financial statements. Management and the board of directors perform random internal audits of these accounts.