

# **United States Soccer Federation Foundation, Inc.**

Financial Report  
June 30, 2014

## Contents

---

Independent Auditor's Report on the Financial Statements	1-2
--	-----

---

Financial Statements	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6-20

---

Independent Auditor's Report on the Supplementary Information	21
---	----

---

Supplementary Information	
Schedule of functional expenses	22

---



## **Independent Auditor's Report on the Financial Statements**

To the Board of Directors  
United States Soccer Federation Foundation, Inc.  
Washington, D.C.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of United States Soccer Federation Foundation, Inc. (the Foundation) which comprise the statements of financial position as of June 30, 2014 and 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Foundation'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 Foundation'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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Soccer Federation Foundation, Inc., as of June 30, 2014 and 2013, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 23, 2014, and October 16, 2013, on our consideration of United States Soccer Federation Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United States Soccer Federation Foundation, Inc.'s internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned to the left of the typed text below.

McLean, Virginia  
October 23, 2014

United States Soccer Federation Foundation, Inc.

Statements of Financial Position  
June 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Cash	\$ 36,587	\$ 73,047
Grants Receivable	284,615	263,919
Contributions Receivable	3,641,633	5,830,076
Investments	51,416,254	48,659,708
Note Receivable	-	221,048
Property and Equipment, Net	112,760	80,702
Other Assets	108,320	62,939
	<u>\$ 55,600,169</u>	<u>\$ 55,191,439</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 978,495	\$ 568,960
Margin line of credit	894,941	-
Refundable grants	241,358	275,000
Grants payable	4,222,971	6,014,999
Deferred rent	157,431	89,716
	<u>6,495,196</u>	<u>6,948,675</u>
Commitments (Notes 6, 9 and 10)		
Net Assets		
Unrestricted	48,621,950	47,696,864
Temporarily restricted	483,023	545,900
	<u>49,104,973</u>	<u>48,242,764</u>
	<u>\$ 55,600,169</u>	<u>\$ 55,191,439</u>

See Notes to Financial Statements.

United States Soccer Federation Foundation, Inc.

Statements of Activities

Years Ended June 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Contributions	\$ 1,654,348	\$ 176,284	\$ 1,830,632	\$ 2,846,866	\$ 172,800	\$ 3,019,666
Investment income	890,162	-	890,162	983,346	-	983,346
Rescinded grants	-	-	-	300,000	-	300,000
In-kind contributions	273,664	-	273,664	751,548	-	751,548
Other income	286,696	-	286,696	169,738	-	169,738
Federal grant revenue	1,290,934	-	1,290,934	811,439	-	811,439
Net assets released from restrictions	239,161	(239,161)	-	116,638	(116,638)	-
<b>Total revenue and support</b>	<b>4,634,965</b>	<b>(62,877)</b>	<b>4,572,088</b>	<b>5,979,575</b>	<b>56,162</b>	<b>6,035,737</b>
Expenses						
Program services:						
Programs and grants	6,446,543	-	6,446,543	6,298,618	-	6,298,618
Communications	783,831	-	783,831	730,596	-	730,596
Government relations	287,602	-	287,602	411,855	-	411,855
	<b>7,517,976</b>	<b>-</b>	<b>7,517,976</b>	<b>7,441,069</b>	<b>-</b>	<b>7,441,069</b>
Supporting services:						
Management and general	509,957	-	509,957	453,877	-	453,877
Development	393,888	-	393,888	423,060	-	423,060
	<b>903,845</b>	<b>-</b>	<b>903,845</b>	<b>876,937</b>	<b>-</b>	<b>876,937</b>
<b>Total expenses</b>	<b>8,421,821</b>	<b>-</b>	<b>8,421,821</b>	<b>8,318,006</b>	<b>-</b>	<b>8,318,006</b>
<b>Change in net assets before market value adjustment on investments</b>	<b>(3,786,856)</b>	<b>(62,877)</b>	<b>(3,849,733)</b>	<b>(2,338,431)</b>	<b>56,162</b>	<b>(2,282,269)</b>
Realized and unrealized gains on investments	4,711,942	-	4,711,942	4,266,799	-	4,266,799
<b>Change in net assets</b>	<b>925,086</b>	<b>(62,877)</b>	<b>862,209</b>	<b>1,928,368</b>	<b>56,162</b>	<b>1,984,530</b>
Net Assets						
Beginning	47,696,864	545,900	48,242,764	45,768,496	489,738	46,258,234
Ending	<b>\$ 48,621,950</b>	<b>\$ 483,023</b>	<b>\$ 49,104,973</b>	<b>\$ 47,696,864</b>	<b>\$ 545,900</b>	<b>\$ 48,242,764</b>

See Notes to Financial Statements.

United States Soccer Federation Foundation, Inc.

Statements of Cash Flows  
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 862,209	\$ 1,984,530
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation and amortization	52,746	40,287
Realized and unrealized (gains) on investments	(4,711,942)	(4,266,799)
Loss on disposal of equipment	619	-
Deferred rent	(14,022)	754
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(20,696)	(263,919)
Contributions receivable	2,188,443	(1,278,542)
Other assets	(45,381)	78,139
Increase (decrease) in:		
Accounts payable and accrued expenses	409,535	380,129
Refundable grants	(33,642)	(27,461)
Grants payable	(1,792,028)	1,129,087
<b>Net cash (used in) operating activities</b>	<b>(3,104,159)</b>	<b>(2,223,795)</b>
Cash Flows From Investing Activities		
Proceeds from sales of investments	24,956,788	78,881,565
Purchases of investments	(23,001,392)	(76,743,528)
Purchases of property and equipment	(3,686)	(51,807)
Collections on note receivable	221,048	189,336
<b>Net cash provided by investing activities</b>	<b>2,172,758</b>	<b>2,275,566</b>
Cash Flows From Financing Activities		
Net borrowings on margin line of credit	894,941	-
<b>Net cash provided by financing activities</b>	<b>894,941</b>	<b>-</b>
<b>Net (decrease) increase in cash</b>	<b>(36,460)</b>	<b>51,771</b>
Beginning cash	73,047	21,276
Ending cash	\$ 36,587	\$ 73,047
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 19,157	\$ 13,898
Supplemental Disclosure of Non-Cash Financing and Investing Activities		
Leasehold improvement allowance and deferred rent	\$ 81,737	\$ -

See Notes to Financial Statements.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** United States Soccer Federation Foundation, Inc. (the Foundation) is a nonprofit and nonstock corporation that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The mission of the Foundation is to enhance, assist and grow the sport of soccer in the United States with a special emphasis on underserved communities. The Foundation views soccer as a powerful vehicle for youth development and social change. By supporting the development of safe places to play, grow and learn, the Foundation works to ensure that children in underserved communities have easy and affordable access to quality soccer programs that improve health, social and youth development outcomes.

A summary of the Foundation's significant accounting policies follows:

**Basis of accounting:** The Foundation uses the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

**Basis of presentation:** The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities topic of the FASB Accounting Standard Codification, *Financial Statements of Not-for-Profit Organizations*, the Foundation is required to report 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. There are no permanently restricted net assets at June 30, 2014 and 2013.

**Contributions receivable:** Contributions receivable are carried at original cost less an estimate made for doubtful contributions receivable based on a review of all outstanding balances on a monthly basis. Management determines the allowance for doubtful contributions receivable by using the historical experience applied to an aging of the contributions receivable. Receivables are written off when deemed uncollectible. All contributions receivable are expected to be collected in the subsequent year; consequently, no discount rate has been applied. Based on management's evaluation of the collectability of receivables, there is no provision for doubtful promises at June 30, 2014 and 2013.

Contribution receivables consist mainly of long-term agreements with donors for soccer field certificates or in-kind value to assist in building soccer fields for grantees.

**Investments:** Investments are carried at fair market value, as discussed in Note 2. Investment income or loss is included in the change in unrestricted net assets, unless the income is restricted by donor or law. Realized and unrealized gains and losses are recorded as a separate component in the statements of activities. Cash held temporarily in the investment portfolio is included in investments on the statement of financial position.

**Financial risk:** The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash.

The Foundation invests in professionally managed portfolios that contain common shares of publicly traded companies, fixed income bonds, U.S. treasury bills, mutual funds, exchange traded funds, funds of funds, hedge funds, private equity funds, and money markets. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to change in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.



## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Property and equipment:** Purchased equipment and software are stated at cost. The Foundation follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500. Betterments and improvements that significantly extend an asset's life are capitalized. Depreciation is recorded using the straight-line method over an estimated useful life of two to seven years. Leasehold improvements are stated at cost and amortized over the life of the lease.

**Grants payable:** The Board of Directors of the Foundation annually approves certain grants for the fiscal year which are recorded as an expense and payable in the year the grant is approved.

**Deferred rent:** The Foundation has a lease agreement for rental space in Washington, D.C. The lease agreement provides for escalated payments over the life of the lease. In addition, a landlord improvement allowance was provided for leasehold improvements. The benefits that the Foundation received and the rent increases in future years are being recognized on a straight-line basis over the life of the lease agreement. The difference between the expense and the cash payments is reported as a deferred rent liability.

**Net assets:** Net assets are classified as being either unrestricted or temporarily restricted depending upon any donor stipulated restrictions.

**Revenue and support recognition:** To date, a significant amount of the Foundation's contribution revenue has been from the World Cup USA 1994, Inc. (WCOC). The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or are unavailable for use due to uncollected amounts or time restrictions. When the restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. 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. Unrestricted gifts of cash and other assets are recorded in revenue, gains and other support when received or in the period in which such amounts are estimable. Revenues from special events are recognized at the time the event occurs. Amounts received in advance of the event are recorded as deferred revenue.

The Foundation receives grants from federal agencies and private grantors for various purposes. Grant expenditures incurred in advance of payments are recorded as receivables. Grant payments received in advance of incurred expenditures for the purpose specified under the grant restrictions are recorded as refundable advances.

**Contributed services:** The Foundation received \$273,664 and \$751,548 of contributed in-kind goods and services during 2014 and 2013, respectively. Contributed good and services are recorded at their fair market value when received.

**Functional allocation of expenses:** The costs of providing for the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited as follows:

*Program and Grants:* Represents grants made to 501(c)(3) non-profit organizations and other tax-exempt organizations and all expenses associated with grant administration.

*Communications:* All expenses associated with fostering public interest and support for the sport of soccer as a vehicle to improve health, social and youth development outcomes, particularly among children in underserved communities.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Government relations: All expenses associated with encouraging federal, state and local support for the sport of soccer as a vehicle for improving health, social, and youth development outcomes as well as securing financial support from federal agencies and Congress in support of those activities.

Management and general: All other operating expenses incurred by the Foundation in the accomplishment of its tax exempt purposes.

Development: All expenses associated with raising funds for the Foundation.

**Income Taxes:** The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Income from nonexempt functions is subject to income taxes to the extent that the revenue exceeds related costs. No net income was taxable in 2014 or 2013; accordingly, no provision has been made for either federal or state income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service (IRS) not to be a private foundation.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Foundation would be liable for income taxes in the U.S. federal jurisdiction. Generally, the Foundation is no longer subject to U.S. federal tax examinations by tax authorities before 2011.

**Use of Estimates:** The preparation of the financial statements 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications:** Certain items in the June 30, 2013, financial statements have been reclassified to conform to the June 30, 2014, financial statement presentation. The reclassifications had no effect on the previously reported net assets or change in net assets.

**Subsequent Events:** The Foundation evaluated subsequent events through October 23, 2014, which is the date financial statements were available to be issued.

**United States Soccer Federation Foundation, Inc.**

**Notes to Financial Statements**

---

**Note 2. Investments**

Investments consist of the following at June 30, 2014 and 2013:

	2014	2013
Exchange traded funds	\$ 14,960,631	\$ 12,870,623
Mutual funds	14,793,348	12,777,506
Fixed income	6,046,202	4,137,887
Hedge funds	5,991,868	-
Funds of funds	4,387,041	8,447,376
U.S. stocks	3,042,324	2,050,505
Private equity funds	1,896,137	1,757,667
Money market	257,102	-
Cash	41,601	6,618,144
	<u>\$ 51,416,254</u>	<u>\$ 48,659,708</u>

The following schedule summarizes the investment income for the years ended June 30, 2014 and 2013:

	2014	2013
Interest and dividends	\$ 981,568	\$ 1,193,405
Investment fees	(89,821)	(180,332)
Foreign income tax	(1,585)	(29,727)
	<u>\$ 890,162</u>	<u>\$ 983,346</u>

The following schedule summarizes the realized and unrealized gains on investments for the years ended June 30, 2014 and 2013:

	2014	2013
Realized gains	\$ 5,894	\$ 1,420,943
Unrealized gains	4,706,048	2,845,856
	<u>\$ 4,711,942</u>	<u>\$ 4,266,799</u>

**United States Soccer Federation Foundation, Inc.**

**Notes to Financial Statements**

**Note 2. Investments (Continued)**

The following table summarizes these investments whose fair value is based on net asset value by major class:

	As of June 30, 2014				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Gate/Lock-up
Fund of Funds – Long/Non U.S. Equity (c)	\$ 2,002,124	\$ -	Monthly	10 days	None
Fund of Funds – Long/Small Cap (e)	2,384,917	-	Monthly	5 days	None
	<u>4,387,041</u>	<u>-</u>			
Private Equity Funds					
Private Equity Funds – Venture/Buyout (f)	1,875,753	917,000	Longer than one year	Not Applicable	None
Private Equity Managers – Venture/ Industry/Buyout (b)	20,384	1,079,616	Upon liquidation of the fund	Not Applicable	None
	<u>1,896,137</u>	<u>1,996,616</u>			
Hedge Funds – Diversified (a)	5,991,868	-	Quarterly	91 days	1 Year
	<u>\$ 12,275,046</u>	<u>\$ 1,996,616</u>			
	As of June 30, 2013				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Gate/Lock-up
Fund of Funds – Long/Short (d)	\$ 4,597,376	\$ -	Quarterly	95 days	None
Fund of Funds – Long/Non U.S. Equity (c)	2,500,000	-	Monthly	10 days	None
Fund of Funds – Long/Small Cap (e)	1,350,000	-	Monthly	5 days	None
	<u>8,447,376</u>	<u>-</u>			
Private Equity Funds					
Private Equity Funds – Venture/Buyout (f)	1,757,667	1,112,000	Longer than one year	Not Applicable	None
	<u>\$ 10,205,043</u>	<u>\$ 1,112,000</u>			

(a) Hedge Fund – Diversified: This category includes investing in global securities based on an event driven, long and short equity and tactical trading approach. The investments are selected based on a macro-economic analysis. The fund manager may supplement this with a secondary strategy to offset market conditions with shorting, merger arbitrage and currency trading investments. There are no restrictions on withdrawals or redemptions except for one type of event driven funding that requires holding period of investments subject to lock-ups for 4 to 11 months. Provided that the Foundation has held its shares for at least 12 months, shares may be liquidated and redeemed at the net asset value of the latest month or quarter end depending on the type of funding. Redemptions are allowed quarterly, upon 91 days prior written notice, and are effective as of the end of each calendar quarter after a one-year holding period of such shares. As of June 30, 2014, the Foundation held its shares in the fund for less than 12 months. Fair values are generally determined utilizing the Net Asset Value (NAV). The value reported by the Foundation is the value of its proportionate share of units owned.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 2. Investments (Continued)

- (b) Private Equity – Venture/Industry/Buyout: This fund's investment objective is to realize long-term compounded returns in excess of those available through conventional investments in the public equity markets. The fund's main focus is making primary commitments to pooled investment vehicles, which are principally blind pool vehicles, focused on a diversified set of private equity strategies, which may include middle-market buyout, large buyout, distressed, growth equity, credit, venture capital and industry focused strategies. These funds are generally long-term and highly illiquid. The Foundation can expect to retain its interests in the fund until the fund is wound-up and dissolved. The nature of the investments in these categories is that distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2014, it is probable that the investments in these categories will be liquidated at an amount different from the net asset value of the Foundation's ownership interest in partners' capital. Investments in the underlying funds are reported at their estimated fair value, as determined in good faith by the manager. Fair value is based on the information provided by the respective general partner of each of the underlying funds, including audited financial statements, which reflects the fund's share of the fair value of the net assets of the respective underlying fund, and any other relevant factors determined by the Manager. The fund has applied the fair value guidance for measuring its investments in the underlying funds, using the practical expedient. As such, the fund fair values its investments using the underlying funds' net asset values without any further adjustments. The value reported by the Foundation is the value of its ownership share.
- (c) Fund of Funds – Long/Non U.S. Equity: This fund seeks attractive long-term growth by investing principally in non-U.S. equity and equity related securities of internationally traded companies that are judged likely to achieve superior earnings growth and/or judged undervalued relative to intrinsic value. While the fund focuses primarily on securities of larger companies, it may also invest in the securities of smaller companies be made in larger companies from time to time. Interests can be redeemed monthly with ten days notice. The fund's investment in the master fund is valued at estimated fair value, which is the fund's proportionate interest in the net asset value of the master fund. The value is the estimated fair value as the fund can redeem its shares in the master fund without restriction at net asset value.
- (d) Fund of Funds – Long/Short: This fund seeks to achieve long-term capital appreciation with low volatility. The fund focuses on three investment strategies: long/short equities, multi-strategy opportunistic, long/short credit, portfolio hedge, macro and activist. Shares may be redeemed quarterly and require 95 days written notice to the Administrator. Although redemption terms are over 90 days, this fund's NAV is listed on a foreign exchange quarterly. As such the fund could be categorized as Level 1; however, the fund is considered not actively traded and as such a Level 2 rating is assigned. Shares are redeemable at their net asset value as of the end of the respective quarter. The Investment Manager generally uses the reported NAV of the private investment fund reported by the Administrator of the underlying private investment fund as the primary input to its valuation. The Foundation fully redeemed its shares in the fund during the year ended June 30, 2014.
- (e) Fund of Funds – Long/Small Cap: This fund seeks long-term capital growth by investing principally in U.S. equity securities of companies with public stock market capitalizations of less than \$5 billion, although investments may be made in larger companies from time to time. Interests can be redeemed monthly with five days notice. The fund's investment in the master fund is valued at estimated fair value, which is the fund's proportionate interest in the net asset value of the master fund. The value is the estimated fair value as the fund can redeem its shares in the master fund without restriction at net asset value.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 2. Investments (Continued)

- (f) Private Equity – Venture/Buyout: This category includes several private equity funds pursuing venture and/or buyout strategies to generate investment returns. These investments can never be redeemed with the funds. Instead, the nature of the investments in these categories is that distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2014, it is probable that the investments in these categories will be liquidated at an amount different from the net asset value of the Foundation's ownership interest in partners' capital. Investments in the underlying funds are reported at their estimated fair value, as determined in good faith by the manager. Fair value is based on the information provided by the respective general partner of each of the underlying funds, including audited financial statements, which reflects the fund's share of the fair value of the net assets of the respective underlying fund, and any other relevant factors determined by the Manager. The fund has applied the fair value guidance for measuring its investments in the underlying funds, using the practical expedient. As such, the fund fair values its investments using the underlying funds' net asset values without any further adjustments. The value reported by the Foundation is the value of its ownership share.

The Fair Value Measurement Topic of the ASC (the Codification) defines fair value 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. The Foundation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and listed derivatives. As required by the guidance provided by the Codification, the Foundation does not adjust the quoted price for these investments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.
- Level 2 Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
- Level 3 Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments which are generally included in this category include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds, certain funds of hedge funds and distressed debt.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 2. Investments (Continued)

All transfers between fair value hierarchy levels are recognized by the Foundation at the end of each reporting period. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation'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 investment. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

*U.S. stocks, exchange traded funds, mutual funds, and money market funds:* These investments are traded on a national securities exchange (or reported on the NASDAQ national market) and are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

*Hedge and fund of funds:* Depending on the redemption options available, as a practical expedient it may be possible that for investments in other funds, the reported net asset value (NAV) represents fair value based on observable data such as ongoing redemption and/or subscription activity. In these cases, the NAV is considered as a Level 2 input. However, certain funds may provide the manager with the ability to suspend or postpone redemption (a gate), or a "lock-in period" upon initial subscription, within which the Foundation may not redeem without incurring a penalty. In the case of the imposition of a gate, if a "lock-in period" in excess of three months is remaining at the statement of financial position date, or if the Foundation may not redeem its holding in the fund within three months or less, the Foundation's ability to validate or verify the NAV and fair value through redeeming is impaired, and the investment is generally classified as Level 3.

*Private equity funds:* The funds are valued at fair value based on the applicable percentage ownership of the net assets of each of the underlying fund as of the measurement date, with consideration given to the effects of various terms and features of each investment and the significance of any transactions in the ownership interests of the investments. In determining fair value, the Foundation utilizes the net asset value provided by the underlying fund investment managers. The underlying fund investments value securities and other financial instruments at fair value. The estimated fair values of certain investments of the underlying fund investments, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective fund investment and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

*Fixed income:* Bonds and U.S. treasury bills are observable at commonly quoted intervals for the full term of the bond and/or bill and, therefore, are considered Level 2 items.

**United States Soccer Federation Foundation, Inc.**

**Notes to Financial Statements**

**Note 2. Investments (Continued)**

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2014:

Description	2014			
	Total	Level 1	Level 2	Level 3
Money markets funds	\$ 257,102	\$ 257,102	\$ -	\$ -
U.S. stocks				
Financial services	697,388	697,388	-	-
Services	605,239	605,239	-	-
Technology	427,670	427,670	-	-
Consumer discretionary	417,379	417,379	-	-
Basic materials	401,424	401,424	-	-
Industrials	281,197	281,197	-	-
Healthcare	212,027	212,027	-	-
	<u>3,042,324</u>	<u>3,042,324</u>	-	-
Mutual funds – corporate bonds				
Mixed asset – international	4,403,341	4,403,340	-	-
Ultrashort bond	3,131,853	3,131,853	-	-
High yield bond	2,555,322	2,555,322	-	-
Intermediate-term bonds	1,726,673	1,726,673	-	-
Intermediate government	1,726,186	1,726,186	-	-
Diversified emerging markets	1,096,708	1,096,708	-	-
Small blend	153,265	153,265	-	-
	<u>14,793,348</u>	<u>14,793,347</u>	-	-
Fixed income				
Inflation index bond	3,156,772	-	3,156,772	-
U.S. treasury bills	2,889,430	-	2,889,430	-
	<u>6,046,202</u>	-	<u>6,046,202</u>	-
Exchange traded funds				
Large blend	9,139,620	9,139,620	-	-
Global real estate	2,763,348	2,763,348	-	-
Diversified emerging markets	1,728,003	1,728,003	-	-
Foreign large blend	1,329,660	1,329,660	-	-
	<u>14,960,631</u>	<u>14,960,631</u>	-	-
Funds of funds				
Long/non U.S. equity	2,384,917	-	2,384,917	-
Long/small cap	2,002,124	-	2,002,124	-
	<u>4,387,041</u>	-	<u>4,387,041</u>	-
Hedge funds				
Diversified	5,991,868	-	-	5,991,868
Private equity funds				
Venture/buyout	1,875,753	-	-	1,875,753
Venture/industry/buyout	20,384	-	-	20,384
	<u>1,896,137</u>	-	-	<u>1,896,137</u>
	<u>\$ 51,374,653</u>	<u>\$ 33,053,404</u>	<u>\$ 10,433,243</u>	<u>\$ 7,888,005</u>



**United States Soccer Federation Foundation, Inc.**

**Notes to Financial Statements**

**Note 2. Investments (Continued)**

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2013:

Description	2013			
	Total	Level 1	Level 2	Level 3
<b>U.S. stocks</b>				
Financial services	\$ 515,114	\$ 515,114	\$ -	\$ -
Services	336,323	336,323	-	-
Industrials	324,391	324,391	-	-
Technology	264,071	264,071	-	-
Basic materials	209,691	209,691	-	-
Consumer discretionary	201,714	201,714	-	-
Healthcare	196,005	196,005	-	-
Utilities	3,196	3,196	-	-
	<u>2,050,505</u>	<u>2,050,505</u>	-	-
<b>Mutual funds – corporate bonds</b>				
Mixed asset – international	3,396,799	3,396,799	-	-
High yield bond	2,883,257	2,883,257	-	-
Intermediate government	2,264,817	2,264,817	-	-
Diversified emerging markets	2,263,605	2,263,605	-	-
Intermediate-term bonds	1,969,028	1,969,028	-	-
	<u>12,777,506</u>	<u>12,777,506</u>	-	-
<b>Fixed income</b>				
U.S. treasury bills	1,805,610	-	1,805,610	-
Inflation index bond	2,328,902	-	2,328,902	-
Corporate bonds	3,375	-	3,375	-
	<u>4,137,887</u>	-	<u>4,137,887</u>	-
<b>Exchange traded funds</b>				
Diversified emerging markets	2,381,625	2,381,625	-	-
Foreign large blend	1,993,600	1,993,600	-	-
Global real estate	1,147,159	1,147,159	-	-
Large blend	6,202,134	6,202,134	-	-
Real estate	1,146,105	1,146,105	-	-
	<u>12,870,623</u>	<u>12,870,623</u>	-	-
<b>Funds of funds</b>				
Long/short	4,597,376	-	4,597,376	-
Long/small cap	1,350,000	-	1,350,000	-
Long/non U.S. equity	2,500,000	-	2,500,000	-
	<u>8,447,376</u>	-	<u>8,447,376</u>	-
<b>Private equity funds</b>				
Venture/buyout	1,757,667	-	-	1,757,667
	<u>\$ 42,041,564</u>	<u>\$ 27,698,634</u>	<u>\$ 12,585,263</u>	<u>\$ 1,757,667</u>

**United States Soccer Federation Foundation, Inc.**

**Notes to Financial Statements**

**Note 2. Investments (Continued)**

As of June 30, 2014 and 2013, total investments in the statements of financial position included cash held at cost of \$41,601 and \$6,618,144, respectively, which is excluded from the previous tables.

The changes in Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2014, are summarized as follows:

	Balance		Investment Income			Balance June 30, 2014
	June 30, 2013	Purchases	Sales	Net Unrealized Gains (Losses) on Investments	Interest and Dividends, Net of Fees	
Hedge funds						
Diversified	\$ -	\$ 5,922,549	\$ -	\$ 69,319	\$ -	\$ 5,991,868
	-	5,922,549	-	69,319	-	5,991,868
Private equity funds						
Venture/buyout						
industry	-	20,384	-	-	-	20,384
Venture/buyout	1,757,667	195,000	(76,995)	(195,206)	195,287	1,875,753
	<u>\$ 1,757,667</u>	<u>\$ 6,137,933</u>	<u>\$ (76,995)</u>	<u>\$ (125,887)</u>	<u>\$ 195,287</u>	<u>\$ 7,888,005</u>

The changes in Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2013, are summarized as follows:

	Balance		Investment Income			Balance June 30, 2013
	June 30, 2012	Purchases	Sales	Net Unrealized Gains (Losses) on Investments	Interest and Dividends, Net Of Fees	
Hedge funds						
Real estate	\$ 2,460,332	\$ -	\$ (2,338,930)	\$ (121,402)	\$ -	\$ -
	2,460,332	-	(2,338,930)	(121,402)	-	-
Private equity funds						
Venture/buyout	1,925,670	-	-	(455,837)	287,834	1,757,667
	<u>\$ 4,386,002</u>	<u>\$ -</u>	<u>\$ (2,338,930)</u>	<u>\$ (577,239)</u>	<u>\$ 287,834</u>	<u>\$ 1,757,667</u>

The total change in unrealized gains included in the statements of activities during the years ended June 30, 2014 and 2013, attributable to Level 3 investments held at June 30, 2014 and 2013, approximated the net unrealized gains, by major class, in the preceding rollforwards of changes in Level 3 assets.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 3. Property and Equipment

Property and equipment consist of the following at June 30, 2014 and 2013:

	2014	2013
Equipment and software	\$ 138,320	\$ 272,267
Leasehold improvements	135,116	82,702
	273,436	354,969
Less accumulated depreciation	160,676	274,267
	<u>\$ 112,760</u>	<u>\$ 80,702</u>

Depreciation and amortization expense was \$52,746 and \$40,287 for the years ended June 30, 2014 and 2013, respectively.

#### Note 4. Note Receivable

The Foundation amended the terms of the secured promissory note due from the American Youth Soccer Organization (AYSO) originally dated April 30, 2001, in the amount of \$1,500,000. The amended terms called for 84 monthly principal and interest payments of \$17,726, beginning on August 15, 2007, and ending on July 15, 2015, at an annual interest rate of 7.2%. The note was collateralized by a security interest in AYSO's National Player Registration Fees. As of June 30, 2014 and 2013, the outstanding principal and accrued interest due was \$0 and \$221,048, respectively. The receivable was paid off during year ended June 30, 2014.

#### Note 5. Loan Management Agreement

The Foundation had a loan management account agreement (LMA) with Bank of America, NA. The LMA stated that the Foundation could utilize up to \$2.46 million. The LMA bore interest at LIBOR plus 3%. Interest was payable monthly on the last business day of the month. At June 30, 2013, there was no outstanding principal. The agreement was cancelled on June 6, 2013.

The interest incurred from the advance agreement was \$13,898 for the year ended June 30, 2013.

#### Note 6. Margin Line of Credit Agreement

The Foundation has a margin line of credit agreement with Goldman Sachs and Co (GS). Any outstanding margin is collateralized by the Foundation's investments held with GS. The line of credit bears interest at the Broker's Call Rate (Target Federal Funds Rate plus 175 basis points) plus 100 basis points. Interest is payable monthly on the last business day of the month. At June 30, 2014, there was \$894,941 payable under the agreement.

The interest incurred on the margin line of credit was \$19,157 for the year ended June 30, 2014.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 7. Grants Payable

The Foundation issues grants consistent with its organizational purpose. Grants payable activity and ending balances at June 30, 2014, are as follows:

Years Ended June 30,	Total Grants Approved	Amounts Paid as of June 30, 2014	Remaining Balance Payable at June 30, 2014
2011	\$ 2,576,182	\$ 2,476,182	\$ 100,000
2012	2,521,951	1,991,951	530,000
2013	2,605,650	1,571,605	1,034,045
2014	2,406,132	279,168	2,126,964
Soccer for Success	1,005,216	573,254	431,962
			<u>\$ 4,222,971</u>

#### Note 8. Related Parties

The Foundation's Board of Directors consists of 20 members (two nonvoting). The United States Soccer Federation (the Federation) appoints three of the voting members and an additional four are elected by the National Council of the Federation. The Foundation has a strict conflict of interest policy for the purpose of maintaining the integrity of Foundation deliberations, which must be signed by members of the Board of Directors. Members of the Foundation's Board of Directors that also serve on the Federation's Board of Directors are not allowed to participate in the vote on any matter affecting the Federation.

#### Note 9. Employment Agreement

The Foundation has entered into an employment contract with the President of the Foundation, which expires on October 31, 2016. Should the President's employment be terminated without cause, the Foundation will be obligated to pay the remaining base compensation through the contract termination date within 30 days of the notice of termination.

#### Note 10. Operating Lease

The Foundation has a 10-year, non-cancelable office lease which commenced on January 1, 2008, and expires on December 31, 2017. In October 2013, the lease was amended to expand the existing space. As part of the amendment, the landlord paid for \$81,737 of leasehold improvements on the expanded space. The lease requires minimum annual rents and provides for annual escalations, which are required to be recognized ratably over the lease term on a straight-line basis. Accordingly the amount of rent expense does not coincide with cash payments. The leasehold improvements above and the rent escalations give rise to a deferred rent, which is being amortized over the lease term. Deferred rent at June 30, 2014 and 2013, was \$157,431 and \$89,716, respectively.

**United States Soccer Federation Foundation, Inc.**

**Notes to Financial Statements**

---

**Note 10. Operating Lease (Continued)**

The future minimum lease payments under the operating lease are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2015	\$ 332,302
2016	339,079
2017	346,031
2018	174,479
	<u><u>\$ 1,191,891</u></u>

For the years ended June 30, 2014 and 2013, rent expense including operating costs were \$290,138 and \$258,209, respectively.

**Note 11. Retirement Plan**

The Foundation has adopted a retirement plan that includes a deferral arrangement pursuant to Section 401(k) of the Internal Revenue Code. All employees are eligible to enter the plan three months following their start date. Under the deferral arrangement, employees may elect to defer up to 100% of their annual compensation not to exceed IRS imposed limits. The Foundation provides a Safe Harbor match only to those employees who are contributing in the plan. The Safe Harbor formula is 100% of the first 3% of deferred compensation plus 50% on the next 2% of deferred compensation, for a maximum Foundation match of 4%. During the years ended June 30, 2014 and 2013, the Foundation's matching contribution was \$32,996 and \$38,016, respectively.

**Note 12. Rescinded Grants**

The Board of Directors has a policy whereby grantees who become non-compliant with the grant terms and who do not present a corrective action plan to the Foundation will have their grants rescinded. The Board of Directors approves rescinded grants. Rescinded grants are recorded in the year of rescission as revenue in the statements of activities.

**United States Soccer Federation Foundation, Inc.**

**Notes to Financial Statements**

**Note 13. Restricted Net Assets**

Changes in temporarily restricted net assets during the years ended June 30, 2014 and 2013, are as follows:

	Balance June 30, 2013	Additions	Released	Balance June 30, 2014
Time restricted				
New York Soccer for Success	\$ 172,207	\$ 155,759	\$ (219,161)	\$ 108,805
Boston Soccer for Success	20,000	20,000	(20,000)	20,000
	<u>192,207</u>	<u>175,759</u>	<u>(239,161)</u>	<u>128,805</u>
Purpose restricted				
Vanole fund	172,443	525	-	172,968
Mooch fund	165,250	-	-	165,250
Koskinen fund	16,000	-	-	16,000
	<u>353,693</u>	<u>525</u>	<u>-</u>	<u>354,218</u>
	<u>\$ 545,900</u>	<u>\$ 176,284</u>	<u>\$ (239,161)</u>	<u>\$ 483,023</u>

	Balance June 30, 2012	Additions	Released	Balance June 30, 2013
Time restricted				
New York Soccer for Success	\$ 136,070	\$ 152,775	\$ (116,638)	\$ 172,207
Boston Soccer for Success	-	20,000	-	20,000
	<u>136,070</u>	<u>172,775</u>	<u>(116,638)</u>	<u>192,207</u>
Purpose restricted				
Vanole fund	172,418	25	-	172,443
Mooch fund	165,250	-	-	165,250
Koskinen fund	16,000	-	-	16,000
	<u>353,668</u>	<u>25</u>	<u>-</u>	<u>353,693</u>
	<u>\$ 489,738</u>	<u>\$ 172,800</u>	<u>\$ (116,638)</u>	<u>\$ 545,900</u>



**Independent Auditor's Report  
on the Supplementary Information**

To the Board of Directors  
United States Soccer Federation Foundation, Inc.  
Washington, D.C.

We have audited the financial statements of the United States Soccer Federation Foundation, Inc. as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon dated October 23, 2014, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were performed 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.

*McGladrey LLP*

McLean, Virginia  
October 23, 2014

United States Soccer Federation Foundation, Inc.

Schedule of Functional Expenses

Year Ended June 30, 2014

(With Comparative Totals for 2013)

	Program Services			Supporting Services		2014 Total	2013 Total
	Programs and Grants	Communications	Government Relations	Management and General	Development		
Compensation and benefits	\$ 580,908	\$ 309,145	\$ 80,362	\$ 273,798	\$ 197,555	\$ 1,441,768	\$ 1,325,659
Professional services	53,536	94,591	94,000	303,314	11,608	557,049	514,128
Travel and meals	179,897	26,487	4,918	63,454	29,107	303,863	231,188
Occupancy	-	-	-	290,138	-	290,138	258,209
Meeting and special events	173,768	433	57,527	20,256	6,133	258,117	240,051
Evaluation expenses	232,151	-	-	-	-	232,151	-
Office expenses	1,813	409	120	138,692	462	141,496	111,003
In-kind expenses	64,084	41,453	-	-	5,000	110,537	356,651
Other program expenses	-	100,000	-	-	-	100,000	-
Marketing and communications	12,046	38,709	7,529	599	6,936	65,819	70,289
Risk management	500	-	-	62,275	-	62,775	54,837
Interns and staffing	20,087	17,160	5,685	13,046	2,814	58,792	42,163
State registration, banking and payroll fees	2,435	-	4	23,284	15,511	41,234	34,409
Event ticket, gifts and recognition items	14,555	4,044	627	16,186	3,580	38,992	28,265
Train the Trainer	30,592	-	-	-	-	30,592	-
Curriculum	28,510	-	-	-	-	28,510	-
Website design and development	11,553	71	-	1,379	3,160	16,163	43,917
Charitable contributions	-	8,000	-	-	-	8,000	22,200
Soccer equipment and gear	3,650	1,889	-	-	544	6,083	27,351
Delivery and postage	287	385	116	943	2,157	3,888	10,092
<b>Total before grants</b>	<b>1,410,372</b>	<b>642,776</b>	<b>250,888</b>	<b>1,207,364</b>	<b>284,567</b>	<b>3,795,967</b>	<b>3,370,412</b>
Grant awards	4,625,854	-	-	-	-	4,625,854	4,947,594
Allocated overhead expenses	410,317	141,055	36,714	(697,407)	109,321	-	-
<b>Total expenses</b>	<b>\$ 6,446,543</b>	<b>\$ 783,831</b>	<b>\$ 287,602</b>	<b>\$ 509,957</b>	<b>\$ 393,888</b>	<b>\$ 8,421,821</b>	<b>\$ 8,318,006</b>