

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

Financial Report  
June 30, 2015

## Contents

<hr/>	
Independent Auditor's Report on the Financial Statements	1-2
<hr/>	
Financial Statements	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6-19
<hr/>	
Independent Auditor's Report on the Supplementary Information	20
<hr/>	
Supplementary Information	
Schedule of functional expenses	21
<hr/>	



## Independent Auditor's Report

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, 2015 and 2014, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2015 and 2014, 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 22, 2015 and October 23, 2014, 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.

*McGladrey LLP*

Washington, D.C.  
October 22, 2015

United States Soccer Federation Foundation, Inc.

Statements of Financial Position  
June 30, 2015 and 2014

	2015	2014
<b>Assets</b>		
Cash	\$ 97,133	\$ 36,587
Grants Receivable	530,430	284,615
Contributions Receivable	2,598,146	3,641,633
Investments	48,353,746	51,416,254
Property and Equipment, Net	85,254	112,760
Other Assets	73,903	108,320
	<u>\$ 51,738,612</u>	<u>\$ 55,600,169</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 792,807	\$ 978,495
Margin line of credit	840,279	894,941
Refundable grants	154,850	241,358
Grants payable	3,575,190	4,222,971
Deferred rent	123,050	157,431
	<u>5,486,176</u>	<u>6,495,196</u>
Net Assets		
Unrestricted	45,802,770	48,621,950
Temporarily restricted	449,666	483,023
	<u>46,252,436</u>	<u>49,104,973</u>
	<u>\$ 51,738,612</u>	<u>\$ 55,600,169</u>

See Notes to Financial Statements.

United States Soccer Federation Foundation, Inc.

Statements of Activities

Years Ended June 30, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Contributions	\$ 3,059,680	\$ 213,527	\$ 3,273,207	\$ 1,654,348	\$176,284	\$ 1,830,632
Investment income	800,666	-	800,666	890,162	-	890,162
In-kind contributions	518,664	-	518,664	273,664	-	273,664
Other income	349,400	-	349,400	286,696	-	286,696
Federal grant revenue	2,387,054	-	2,387,054	1,290,934	-	1,290,934
Net assets released from restrictions	246,884	(246,884)	-	239,161	(239,161)	-
<b>Total revenue and support</b>	<b>7,362,348</b>	<b>(33,357)</b>	<b>7,328,991</b>	<b>4,634,965</b>	<b>(62,877)</b>	<b>4,572,088</b>
Expenses						
Program services:						
Programs and grants	8,061,137	-	8,061,137	6,446,543	-	6,446,543
Communications	786,692	-	786,692	783,831	-	783,831
Government relations	334,316	-	334,316	287,602	-	287,602
	<b>9,182,145</b>	<b>-</b>	<b>9,182,145</b>	<b>7,517,976</b>	<b>-</b>	<b>7,517,976</b>
Supporting services:						
Development	819,087	-	819,087	393,888	-	393,888
Management and general	621,323	-	621,323	509,957	-	509,957
	<b>1,440,410</b>	<b>-</b>	<b>1,440,410</b>	<b>903,845</b>	<b>-</b>	<b>903,845</b>
<b>Total expenses</b>	<b>10,622,555</b>	<b>-</b>	<b>10,622,555</b>	<b>8,421,821</b>	<b>-</b>	<b>8,421,821</b>
<b>Change in net assets before market value adjustment on investments</b>	<b>(3,260,207)</b>	<b>(33,357)</b>	<b>(3,293,564)</b>	<b>(3,786,856)</b>	<b>(62,877)</b>	<b>(3,849,733)</b>
Realized and Unrealized Gains on Investments	441,027	-	441,027	4,711,942	-	4,711,942
<b>Change in net assets</b>	<b>(2,819,180)</b>	<b>(33,357)</b>	<b>(2,852,537)</b>	<b>925,086</b>	<b>(62,877)</b>	<b>862,209</b>
Net Assets						
Beginning	48,621,950	483,023	49,104,973	47,696,864	545,900	48,242,764
Ending	<b>\$ 45,802,770</b>	<b>\$ 449,666</b>	<b>\$ 46,252,436</b>	<b>\$ 48,621,950</b>	<b>\$483,023</b>	<b>\$ 49,104,973</b>

See Notes to Financial Statements.

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

**Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ (2,852,537)	\$ 862,209
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	47,088	52,746
Realized and unrealized gains on investments	(441,027)	(4,711,942)
Loss on disposal of equipment	-	619
Deferred rent	(34,381)	(14,022)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(245,815)	(20,696)
Contributions receivable	1,043,487	2,188,443
Other assets	34,417	(45,381)
Increase (decrease) in:		
Accounts payable and accrued expenses	(185,688)	409,535
Refundable grants	(86,508)	(33,642)
Grants payable	(647,781)	(1,792,028)
<b>Net cash used in operating activities</b>	<b>(3,368,745)</b>	<b>(3,104,159)</b>
Cash Flows From Investing Activities		
Proceeds from sales of investments	38,597,315	24,956,788
Purchases of investments	(35,093,780)	(23,001,392)
Purchases of property and equipment	(19,582)	(3,686)
Collections on note receivable	-	221,048
<b>Net cash provided by investing activities</b>	<b>3,483,953</b>	<b>2,172,758</b>
Cash Flows From Financing Activities		
Net (payments) borrowings on margin line of credit	(54,662)	894,941
<b>Net cash (used in) provided by financing activities</b>	<b>(54,662)</b>	<b>894,941</b>
<b>Net increase (decrease) in cash</b>	<b>60,546</b>	<b>(36,460)</b>
Beginning cash	36,587	73,047
Ending cash	\$ 97,133	\$ 36,587
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 21,538	\$ 19,157
Supplemental Schedule of Noncash 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

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#### 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 unconditional support is recognized when received, 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, 2015 and 2014.

**Contributions receivable:** Contributions receivable are carried at the original unconditionally promised amount 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, 2015 and 2014.

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 various securities and alternative investments. 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

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#### 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 escalating 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 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 reimbursements are recorded as receivables. Grant payments received in advance of expenditures incurred for the purpose specified under the grant restrictions are recorded as refundable grants.

**In-kind contributions:** The Foundation received \$518,664 and \$273,664 of contributed in-kind goods and services during 2015 and 2014, 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) nonprofit 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

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#### 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 2015 or 2014; 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.

Management has evaluated tax positions and concluded that the Foundation has taken no uncertain tax positions. Generally, the Foundation is no longer subject to U.S. federal tax examinations by tax authorities before 2012.

**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.

**Upcoming accounting pronouncement**: In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820); Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. This ASU is effective for the Foundation's fiscal year beginning July 1, 2017. Early adoption is permitted. Upon adoption, the amendments shall be applied retrospectively to all periods presented.

**Subsequent events**: The Foundation evaluated subsequent events through October 22, 2015, which is the date financial statements were available to be issued.

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

**Notes to Financial Statements**

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**Note 2. Investments**

Investments consist of the following at June 30, 2015 and 2014:

	2015	2014
Exchange traded funds	\$ 15,934,730	\$ 14,960,631
Mutual funds	11,188,988	14,793,348
Hedge funds	7,074,537	5,991,868
Funds of funds	5,919,842	4,387,041
Fixed income	2,957,701	6,046,202
U.S. stocks	2,921,278	3,042,324
Private equity funds	2,019,194	1,896,137
Money market funds	314,735	257,102
Cash	22,741	41,601
	<u>\$ 48,353,746</u>	<u>\$ 51,416,254</u>

The following schedule summarizes the investment income for the years ended June 30, 2015 and 2014:

	2015	2014
Interest and dividends	\$ 950,531	\$ 981,568
Investment fees	(149,865)	(89,821)
Foreign income tax	-	(1,585)
	<u>\$ 800,666</u>	<u>\$ 890,162</u>

The following schedule summarizes the realized and unrealized gains on investments for the years ended June 30, 2015 and 2014:

	2015	2014
Realized (losses) gains	\$ (20,014)	\$ 5,894
Unrealized gains	461,041	4,706,048
	<u>\$ 441,027</u>	<u>\$ 4,711,942</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, 2015				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Gate/ Lock-up
Fund of funds – long/non U.S. equity (c)	\$ 3,907,281	\$ -	Monthly	10 days	None
Fund of funds – long/small cap (d)	2,012,561	-	Monthly	5 days	None
	<u>5,919,842</u>	<u>-</u>			
Private equity funds – venture/buyout (e)	1,912,166	260,000	Longer than one year	Not Applicable	None
Private equity managers – venture/ industry/buyout (b)	107,028	2,066,987	Upon liquidation		
	<u>2,019,194</u>	<u>2,326,987</u>	of the fund	Not Applicable	None
Hedge funds – diversified (a)	7,074,537	-	Quarterly	91 days	1 Year
	<u>\$ 15,013,573</u>	<u>\$ 2,326,987</u>			
	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 (d)	2,384,917	-	Monthly	5 days	None
	<u>4,387,041</u>	<u>-</u>			
Private equity funds – venture/buyout (e)	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		
	<u>1,896,137</u>	<u>1,996,616</u>	of the fund	Not Applicable	None
Hedge funds – diversified (a)	5,991,868	-	Quarterly	91 days	1 Year
	<u>\$ 12,275,046</u>	<u>\$ 1,996,616</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 (NAV) 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, 2015, the Foundation purchased additional shares in 2015 and has held those shares in the fund for less than 12 months. Fair values are generally determined utilizing the 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

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#### Note 2. Investments (Continued)

- (b) *Private equity managers– 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, 2015, it is probable that the investments in these categories will be liquidated at an amount different from the NAV 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 NAV 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 NAV.
- (d) *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 NAV 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 NAV.
- (e) *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, 2015, it is probable that the investments in these categories will be liquidated at an amount different from the NAV 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.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

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#### Note 2. Investments (Continued)

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.

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.

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

**Notes to Financial Statements**

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**Note 2. Investments (Continued)**

*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 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 NAV 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, 2015:

Description	2015			
	Total	Level 1	Level 2	Level 3
Money markets funds	\$ 314,735	\$ 314,735	\$ -	\$ -
U.S. stocks				
Financial services	696,117	696,117	-	-
Services	729,753	729,753	-	-
Technology	399,579	399,579	-	-
Consumer goods	209,716	209,716	-	-
Basic materials	436,452	436,452	-	-
Industrial goods	328,704	328,704	-	-
Healthcare	120,957	120,957	-	-
	<u>2,921,278</u>	<u>2,921,278</u>	-	-
Mutual funds – corporate bonds				
Mixed asset – international	4,300,702	4,300,702	-	-
High yield bond	2,750,824	2,750,824	-	-
Ultrashort bond	1,359,467	1,359,467	-	-
Emerging market bonds	961,405	961,405	-	-
Intermediate-term bonds	944,220	944,220	-	-
Intermediate government	872,370	872,370	-	-
	<u>11,188,988</u>	<u>11,188,988</u>	-	-
Fixed income				
U.S. treasury bills	2,957,701	-	2,957,701	-
Exchange traded funds				
Large blend	8,567,457	8,567,457	-	-
Foreign large blend	3,381,515	3,381,515	-	-
Diversified emerging markets	2,014,771	2,014,771	-	-
Global real estate	1,970,987	1,970,987	-	-
	<u>15,934,730</u>	<u>15,934,730</u>	-	-
Funds of funds				
Long/non U.S. equity	3,907,281	-	3,907,281	-
Long/small cap	2,012,561	-	2,012,561	-
	<u>5,919,842</u>	-	<u>5,919,842</u>	-
Hedge funds				
Diversified	7,074,537	-	-	7,074,537
Private equity funds				
Venture/buyout	1,912,166	-	-	1,912,166
Venture/industry/buyout	107,028	-	-	107,028
	<u>2,019,194</u>	-	-	<u>2,019,194</u>
	<u>\$ 48,331,005</u>	<u>\$ 30,359,731</u>	<u>\$ 8,877,543</u>	<u>\$ 9,093,731</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, 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	4,403,341	-	-
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>14,793,348</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>\$ 33,053,405</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)**

As of June 30, 2015 and 2014, total investments in the statements of financial position included cash held at cost of \$22,741 and \$41,601, 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, 2015, are summarized as follows:

	Balance		Investment Income			Balance June 30, 2015
	June 30, 2014	Purchases	Sales	Net Unrealized Gains (Losses) on Investments	Interest and Dividends, Net of Fees	
Hedge funds						
Diversified	\$ 5,991,868	\$ 2,586,002	\$ (1,786,002)	\$ 282,669	\$ -	\$ 7,074,537
Private equity funds						
Venture/buyout						
industry	20,384	112,729	(19,131)	(6,954)	-	107,028
Venture/buyout	1,875,753	313,318	(553,268)	76,906	199,457	1,912,166
	1,896,137	426,047	(572,399)	69,952	199,457	2,019,194
	\$ 7,888,005	\$ 3,012,049	\$ (2,358,401)	\$ 352,621	\$ 199,457	\$ 9,093,731

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
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
	1,757,667	215,384	(76,995)	(195,206)	195,287	1,896,137
	\$ 1,757,667	\$ 6,137,933	\$ (76,995)	\$ (125,887)	\$ 195,287	\$ 7,888,005

The total change in unrealized gains included in the statements of activities during the years ended June 30, 2015 and 2014, attributable to Level 3 investments held at June 30, 2015 and 2014, 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

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#### Note 3. Property and Equipment

Property and equipment consist of the following at June 30, 2015 and 2014:

	2015		2014
Equipment and software	\$ 157,903	\$	138,320
Leasehold improvements	135,116		135,116
	<u>293,019</u>		<u>273,436</u>
Less accumulated depreciation	207,765		160,676
	<u>\$ 85,254</u>	\$	<u>112,760</u>

Depreciation and amortization expense was \$47,088 and \$52,746 for the years ended June 30, 2015 and 2014, respectively.

#### Note 4. Line of Credit Agreement

The Foundation has a line of credit agreement with a financial institution. Any outstanding balance is collateralized by the Foundation's investments held with the financial institution. 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, 2015 and 2014, there was \$840,279 and \$894,941 payable under the agreement, respectively.

The interest incurred on the line of credit was \$21,538 and \$19,157 for the years ended June 30, 2015 and 2014, respectively.

#### Note 5. Grants Payable

The Foundation issues grants consistent with its organizational purpose. Grants payable activity and ending balances at June 30, 2015, are as follows:

Years Ended June 30,	Total Grants Approved	Amounts Paid as of June 30, 2015	Remaining Balance Payable at June 30, 2015
2013	\$ 2,605,650	\$ 2,525,650	\$ 80,000
2014	3,529,356	2,403,195	1,126,161
2015	2,909,776	540,747	2,369,029
			<u>\$ 3,575,190</u>

#### Note 6. 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.

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

**Notes to Financial Statements**

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**Note 7. Operating Lease**

The Foundation has a ten-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, 2015 and 2014, was \$123,050 and \$157,431, respectively.

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

Year Ending June 30,	Amount
2016	\$ 341,410
2017	350,246
2018	177,444
	<u>\$ 869,100</u>

For the years ended June 30, 2015 and 2014, rent expense including operating costs were \$323,123 and \$290,138, respectively.

**Note 8. 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, 2015 and 2014, the Foundation's matching contribution was \$46,719 and \$32,996, respectively.

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

**Notes to Financial Statements**

**Note 9. Restricted Net Assets**

Changes in temporarily restricted net assets during the years ended June 30, 2015 and 2014, are as follows:

	Balance June 30, 2014	Additions	Released	Balance June 30, 2015
Time restricted				
New York Soccer for Success	\$ 108,805	\$ 121,680	\$ (166,242)	\$ 64,243
Boston Soccer for Success	20,000	-	(20,000)	-
DC Soccer for Success	-	83,812	(50,642)	33,170
Washington School for Girls	-	6,535	-	6,535
	<u>128,805</u>	<u>212,027</u>	<u>(236,884)</u>	<u>103,948</u>
Purpose restricted				
Vanole fund	172,968	-	-	172,968
Mooch fund	165,250	1,500	(10,000)	156,750
Koskinen fund	16,000	-	-	16,000
	<u>354,218</u>	<u>1,500</u>	<u>(10,000)</u>	<u>345,718</u>
	<u>\$ 483,023</u>	<u>\$ 213,527</u>	<u>\$ (246,884)</u>	<u>\$ 449,666</u>
	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>



**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 United States Soccer Federation Foundation, Inc. as of and for the years ended June 30, 2015 and 2014, and have issued our report thereon dated October 22, 2015, 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*

Washington, D.C.  
October 22, 2015

United States Soccer Federation Foundation, Inc.

Schedule of Functional Expenses  
Year Ended June 30, 2015  
(With Comparative Totals for 2014)

	Program Services			Supporting Services		2015 Total	2014 Total
	Programs and Grants	Communications	Government Relations	Development	Management and General		
Compensation and Benefits	\$ 697,374	\$ 352,094	\$ 83,477	\$ 327,561	\$ 444,607	\$ 1,905,113	\$ 1,500,560
Professional Services	14,076	116,330	94,490	35,369	162,840	423,105	557,049
Occupancy	-	-	-	-	323,123	323,123	290,138
In-Kind Program Expenses	115,276	34,500	64,407	92,290	-	306,473	110,537
Travel and Meals	114,824	35,984	2,995	50,297	78,228	282,328	303,863
Meetings and Special Events Expense	69,976	1,919	49,814	137,467	7,411	266,587	149,046
Office Expenses	12,038	2,276	1,765	12,581	144,798	173,458	141,496
Coach-Mentor Training	146,005	-	-	-	792	146,797	139,663
Evaluation Expenses	139,859	-	-	-	-	139,859	232,151
Program Expenses – Other	-	88,862	-	-	-	88,862	100,000
Risk Management	50	-	-	-	78,938	78,988	62,775
Banking, Payroll and State Registration Fees	3,807	-	-	22,507	27,757	54,071	41,234
Miscellaneous Employee Expenses	7,219	12,750	39	2,890	11,684	34,582	38,992
Marketing and Communications	5,258	12,068	967	8,563	3,940	30,796	65,819
Charitable Contributions	-	15,000	-	-	-	15,000	8,000
Curriculum	10,510	137	-	137	-	10,784	28,510
Delivery and Postage	156	178	115	2,481	501	3,431	3,888
Soccer Equipment and Gear	1,360	182	-	-	-	1,542	6,083
Website Design and Development	-	-	-	-	-	-	16,163
<b>Total before grants</b>	<b>1,337,788</b>	<b>672,280</b>	<b>298,069</b>	<b>692,143</b>	<b>1,284,619</b>	<b>4,284,899</b>	<b>3,795,967</b>
Grant Awards	6,337,656	-	-	-	-	6,337,656	4,625,854
Allocated Overhead Expenses	385,693	114,412	36,247	126,944	(663,296)	-	-
<b>Total expenses</b>	<b>\$ 8,061,137</b>	<b>\$ 786,692</b>	<b>\$ 334,316</b>	<b>\$ 819,087</b>	<b>\$ 621,323</b>	<b>\$ 10,622,555</b>	<b>\$ 8,421,821</b>