

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

Financial Report  
June 30, 2018

## Contents

---

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6-17
<hr/>	
Independent auditor's report on the supplementary information	18
<hr/>	
Supplementary information	
Schedule of functional expenses	19
<hr/>	



RSM US LLP

## Independent Auditor's Report

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

### 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, 2018 and 2017, 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 the Foundation as of June 30, 2018 and 2017, 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 19, 2018, and October 26, 2017, on our consideration of the Foundation'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 solely 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 the effectiveness of the Foundation's 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 the Foundation's internal control over financial reporting and compliance.

*RSM US LLP*

Washington, D.C.  
October 19, 2018

United States Soccer Federation Foundation, Inc.

Statements of Financial Position  
June 30, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash	\$ 798,414	\$ 109,506
Grants receivable	249,058	406,421
Contributions receivable	3,115,452	1,994,144
Investments	51,806,312	44,010,358
Property and equipment, net	1,355,662	59,131
Other assets	143,018	181,954
	<u>57,467,916</u>	<u>46,761,514</u>
<b>Total assets</b>	<b>\$ 57,467,916</b>	<b>\$ 46,761,514</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,765,555	\$ 1,042,513
Margin line of credit	887,850	1,757,471
Refundable grants	262,589	271,350
Grants payable	2,712,861	3,976,992
Deferred rent	1,530,443	28,234
	<u>7,159,298</u>	<u>7,076,560</u>
<b>Total liabilities</b>	<b>7,159,298</b>	<b>7,076,560</b>
Net assets:		
Unrestricted	38,995,019	39,285,831
Temporarily restricted	11,313,599	399,123
	<u>50,308,618</u>	<u>39,684,954</u>
<b>Total net assets</b>	<b>50,308,618</b>	<b>39,684,954</b>
	<u>\$ 57,467,916</u>	<u>\$ 46,761,514</u>
<b>Total liabilities and net assets</b>	<b>\$ 57,467,916</b>	<b>\$ 46,761,514</b>

See notes to financial statements.

United States Soccer Federation Foundation, Inc.

Statements of Activities  
Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Contributions	\$ 3,397,403	\$ 12,601,623	\$ 15,999,026	\$ 3,432,801	\$ 806,257	\$ 4,239,058
Federal grant revenue	1,505,103	-	1,505,103	1,558,127	-	1,558,127
Investment income, net	1,099,865	-	1,099,865	739,166	-	739,166
In-kind contributions	906,349	-	906,349	620,122	-	620,122
Other income	591,130	-	591,130	305,966	-	305,966
Net assets released from restrictions	1,687,147	(1,687,147)	-	762,807	(762,807)	-
<b>Total revenue and support</b>	<b>9,186,997</b>	<b>10,914,476</b>	<b>20,101,473</b>	<b>7,418,989</b>	<b>43,450</b>	<b>7,462,439</b>
Expenses:						
Program services:						
Programs and grants	7,773,592	-	7,773,592	8,271,885	-	8,271,885
Communications	1,245,595	-	1,245,595	733,941	-	733,941
Government relations	319,341	-	319,341	460,338	-	460,338
	<b>9,338,528</b>	<b>-</b>	<b>9,338,528</b>	<b>9,466,164</b>	<b>-</b>	<b>9,466,164</b>
Supporting services:						
Development	1,428,066	-	1,428,066	1,053,583	-	1,053,583
Management and general	1,396,252	-	1,396,252	871,014	-	871,014
	<b>2,824,318</b>	<b>-</b>	<b>2,824,318</b>	<b>1,924,597</b>	<b>-</b>	<b>1,924,597</b>
<b>Total expenses</b>	<b>12,162,846</b>	<b>-</b>	<b>12,162,846</b>	<b>11,390,761</b>	<b>-</b>	<b>11,390,761</b>
<b>Change in net assets before market value adjustment on investments</b>	<b>(2,975,849)</b>	<b>10,914,476</b>	<b>7,938,627</b>	<b>(3,971,772)</b>	<b>43,450</b>	<b>(3,928,322)</b>
Realized and unrealized gains on investments	2,685,037	-	2,685,037	3,645,949	-	3,645,949
<b>Change in net assets</b>	<b>(290,812)</b>	<b>10,914,476</b>	<b>10,623,664</b>	<b>(325,823)</b>	<b>43,450</b>	<b>(282,373)</b>
Net assets:						
Beginning	39,285,831	399,123	39,684,954	39,611,654	355,673	39,967,327
Ending	<b>\$ 38,995,019</b>	<b>\$ 11,313,599</b>	<b>\$ 50,308,618</b>	<b>\$ 39,285,831</b>	<b>\$ 399,123</b>	<b>\$ 39,684,954</b>

See notes to financial statements.

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

**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 10,623,664	\$ (282,373)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	120,324	65,433
Realized and unrealized gain on investments	(2,685,037)	(3,645,949)
Deferred rent	279,739	(51,826)
Changes in assets and liabilities:		
Decrease (increase) in:		
Grants receivable	157,363	221,132
Contributions receivable	(1,121,308)	(228,763)
Other assets	38,936	(107,013)
Increase (decrease) in:		
Accounts payable and accrued expenses	723,042	(533,214)
Refundable grants	(8,761)	(88,135)
Grants payable	(1,264,131)	903,410
<b>Net cash provided by (used in) operating activities</b>	<b>6,863,831</b>	<b>(3,747,298)</b>
Cash flows from investing activities:		
Proceeds from sales of investments	12,281,868	17,733,839
Purchases of investments	(17,392,785)	(13,986,512)
Purchases of property and equipment	(194,385)	-
<b>Net cash (used in) provided by investing activities</b>	<b>(5,305,302)</b>	<b>3,747,327</b>
Cash flows from financing activities:		
Net payments on margin line of credit	(869,621)	(23,221)
<b>Net cash used in financing activities</b>	<b>(869,621)</b>	<b>(23,221)</b>
<b>Net increase (decrease) in cash</b>	<b>688,908</b>	<b>(23,192)</b>
Beginning cash	109,506	132,698
Ending cash	\$ 798,414	\$ 109,506
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 80,570	\$ 33,911
Taxes paid	\$ 6,300	\$ -
Supplemental schedule of noncash investing and financing activities:		
Tenant improvements acquired through tenant allowance	\$ 1,222,470	\$ -

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 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 ASC, 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, 2018 and 2017.

**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. The majority of 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, 2018 and 2017.

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

**Investments:** Investments are carried at fair market value, as discussed in Note 3. 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 statements 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

---

#### 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 lesser of their estimated useful life or lease term.

**Grants payable:** The Board of Directors of the Foundation annually approves certain unconditional 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 the existence of any donor stipulated restrictions.

**Revenue and support recognition:** A significant amount of the Foundation's contribution revenue was initially provided from the World Cup USA 1994, Inc. (WCOC). The Foundation reports unconditional 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 statements of activities as net assets released from restrictions. Unconditional contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Unconditional 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 revenue is generally recognized when the qualifying expenditures are incurred under the grant. Grant expenditures incurred in advance of reimbursements are recorded as grant 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 \$906,349 and \$620,122 of contributed in-kind goods and services during 2018 and 2017, respectively. Contributed goods 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

---

#### 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.

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

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

**Income taxes:** The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been determined by the Internal Revenue Service (IRS) not to be a private foundation. Income from nonexempt functions is subject to income taxes to the extent that the revenue exceeds related costs. No net income was taxable in 2017. The Foundation has been subject to unrelated business income (UBI) for fringe benefits due to the effects of the Tax Cuts and Jobs Act (TCJA). The Foundation has gross UBI related to fringe benefits of approximately \$20,600 for the year ended June 30, 2018.

The Foundation complies with the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Management evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state and local tax authorities before 2015.

**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 pronouncements:** In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Foundation has not evaluated the impact of this ASU on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. A lessee is required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The ASU is expected to impact the Foundation's financial statements as the Foundation has certain operating lease arrangements for which it is the lessee. The standard is effective for the Foundation on July 1, 2020, with early adoption permitted. The Foundation is in the process of evaluating the impact of this new guidance.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

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

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The amendments apply to both resources received by a recipient and resources given by a resource provider. The ASU will be effective for resource providers and recipients for fiscal years beginning after December 15, 2018 and 2019, respectively. Earlier application is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Foundation is currently evaluating the impact of this ASU on the financial statements.

**Subsequent events:** The Foundation evaluated subsequent events through October 19, 2018, which is the date financial statements were available to be issued.

#### Note 2. Contributions Receivable

Contributions receivable are unconditional and are estimated to be fully collectible as follows at June 30, 2018 and 2017:

	2018	2017
	Total	Total
Cash	\$ 1,884,123	\$ 508,739
In-kind field certificates	360,493	1,200,800
In-kind - other	870,836	284,605
	<u>\$ 3,115,452</u>	<u>\$ 1,994,144</u>
Amounts due in:		
Less than 1 year	\$ 2,982,952	\$ 1,994,144
1 to 5 years	132,500	-
	<u>\$ 3,115,452</u>	<u>\$ 1,994,144</u>

#### Note 3. Investments

Investments consist of the following at June 30, 2018 and 2017:

	2018	2017
U.S. equities	\$ 17,048,435	\$ 12,803,939
Mutual funds	7,701,664	11,079,363
Exchange traded funds	6,248,041	5,738,356
Fixed income	2,336,811	2,317,432
Cash and money market*	8,517,455	4,332,884
Alternative investments	9,953,906	7,738,384
	<u>\$ 51,806,312</u>	<u>\$ 44,010,358</u>

\*Cash and money market accounts held at cost.

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

**Notes to Financial Statements**

**Note 3. Investments (Continued)**

The following schedule summarizes the investment income for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and dividends	\$ 1,209,945	\$ 834,511
Investment fees	(110,080)	(95,345)
	<u>\$ 1,099,865</u>	<u>\$ 739,166</u>

The following tables summarizes these investments whose fair value is based on net asset value (NAV) per unit as a practical expedient by major class:

	As of June 30, 2018				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Gate/ Lock-up
Private equity funds – venture/buyout (b)	\$ 1,883,986	\$ 977,415	Upon liquidation of the fund	Not Applicable	None
Private equity managers – venture/ industry/buyout (a)	2,172,537	3,496,421	Upon liquidation of the fund	Not Applicable	None
	<u>4,056,523</u>	<u>4,473,836</u>			
Equity funds – international (c)	4,033,655	-	Daily	None	None
Equity funds – small cap (d)	1,863,728	-	Daily	None	None
	<u>5,897,383</u>	<u>-</u>			
	<u>\$ 9,953,906</u>	<u>\$ 4,473,836</u>			
	As of June 30, 2017				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Gate/ Lock-up
Private equity funds – venture/buyout (b)	\$ 1,268,375	\$ 1,632,000	Upon liquidation of the fund	Not Applicable	None
Private equity managers – venture/ industry/buyout (a)	1,036,351	3,785,665	Upon liquidation of the fund	Not Applicable	None
	<u>2,304,726</u>	<u>5,417,665</u>			
Equity funds – international (c)	3,161,577	-	Daily	None	None
Equity funds – small cap (d)	1,753,147	-	Daily	None	None
	<u>4,914,724</u>	<u>-</u>			
Hedge funds – diversified (e)	518,934	-	Quarterly	91 days	1 Year
	<u>\$ 7,738,384</u>	<u>\$ 5,417,665</u>			

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 3. Investments (Continued)

- (a) **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, 2018, 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' NAV's without any further adjustments. The value reported by the Foundation is the value of its ownership share.
- (b) **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, 2018, 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' NAV's without any further adjustments. The value reported by the Foundation is the value of its ownership share.
- (c) **Equity funds – international:** This fund is an open-end fund incorporated in the USA, seeking to provide long-term capital growth. The fund invests at least 80% of its net assets in equity investments in companies that are domiciled outside the U.S. or whose securities are principally traded outside the U.S. The value reported by the Foundation is the value of its ownership share.
- (d) **Equity funds – small cap:** This fund is an open-end fund incorporated in the USA, seeking to provide long-term capital growth. The fund invests at least 80% of its net assets in equity investments in companies that are domiciled in the U.S. or whose securities are principally traded in the U.S. The value reported by the Foundation is the value of its ownership share.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 3. Investments (Continued)

- (e) **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 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. Fair values are generally determined utilizing the NAV. The value reported by the Foundation is the value of its proportionate share of units owned. As of June 30, 2018, the Foundation liquidated all of the shares of this fund.

The Fair Value Measurement Topic of the ASC 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 ASC, 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. The Foundation has no Level 3 investments.

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.

United States Soccer Federation Foundation, Inc.

Notes to Financial Statements

**Note 3. Investments (Continued)**

**U.S. equities, exchange traded funds and mutual 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.

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

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, 2018:

Description	June 30, 2018			
	Total	Level 1	Level 2	Level 3
U.S. equities:				
Financial services	\$ 14,601,018	\$ 14,601,018	\$ -	\$ -
Services	565,408	565,408	-	-
Technology	535,758	535,758	-	-
Healthcare	283,285	283,285	-	-
Basic materials	358,093	358,093	-	-
Consumer goods	664,554	664,554	-	-
Industrial goods	40,319	40,319	-	-
	<u>17,048,435</u>	<u>17,048,435</u>	-	-
Mutual funds – corporate bonds:				
High yield bond	3,494,195	3,494,195	-	-
Ultrashort bond	920,258	920,258	-	-
Emerging market bonds	1,229,949	1,229,949	-	-
Intermediate-term bonds	1,027,159	1,027,159	-	-
Intermediate government	1,030,103	1,030,103	-	-
	<u>7,701,664</u>	<u>7,701,664</u>	-	-
Fixed income:				
U.S. treasury bills	2,336,811	-	2,336,811	-
Exchange traded funds:				
Foreign large blend	4,127,137	4,127,137	-	-
Global real estate	2,120,904	2,120,904	-	-
	<u>6,248,041</u>	<u>6,248,041</u>	-	-
Total assets classified at fair value	<u>\$ 33,334,951</u>	<u>\$ 30,998,140</u>	<u>\$ 2,336,811</u>	<u>\$ -</u>
Total investments:				
Classified at fair value	\$ 33,334,951			
Held at net asset value (NAV) (a)	9,953,906			
Held at cost	8,517,455			
	<u>\$ 51,806,312</u>			

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

**Notes to Financial Statements**

**Note 3. 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, 2017:

Description	June 30, 2017			
	Total	Level 1	Level 2	Level 3
U.S. stocks:				
Financial services	\$ 10,510,475	\$ 10,510,475	\$ -	\$ -
Services	645,656	645,656	-	-
Technology	618,590	618,590	-	-
Healthcare	170,366	170,366	-	-
Basic materials	226,570	226,570	-	-
Consumer goods	593,105	593,105	-	-
Industrial goods	39,177	39,177	-	-
	<u>12,803,939</u>	<u>12,803,939</u>	-	-
Mutual funds – corporate bonds:				
Mixed asset – international	3,310,712	3,310,712	-	-
High yield bond	2,622,661	2,622,661	-	-
Ultrashort bond	1,470,746	1,470,746	-	-
Emerging market bonds	1,576,978	1,576,978	-	-
Intermediate-term bonds	1,059,479	1,059,479	-	-
Intermediate government	1,038,787	1,038,787	-	-
	<u>11,079,363</u>	<u>11,079,363</u>	-	-
Fixed income:				
U.S. treasury bills	2,317,432	-	2,317,432	-
Exchange traded funds:				
Foreign large blend	3,083,083	3,083,083	-	-
Global real estate	2,655,273	2,655,273	-	-
	<u>5,738,356</u>	<u>5,738,356</u>	-	-
Total assets classified at fair value	<u>\$ 31,939,090</u>	<u>\$ 29,621,658</u>	<u>\$ 2,317,432</u>	<u>\$ -</u>
Total investments:				
Classified at fair value	\$ 31,939,090			
Held at net asset value (NAV) (a)	7,738,384			
Held at cost	4,332,884			
	<u>\$ 44,010,358</u>			

(a) In accordance with ASC Topic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 4. Property and Equipment

Property and equipment consist of the following at June 30, 2018 and 2017:

	2018	2017
Equipment and software	\$ 251,089	\$ 123,177
Leasehold improvements	1,276,985	135,116
	<u>1,528,074</u>	<u>258,293</u>
Less accumulated depreciation	172,412	199,162
	<u>\$ 1,355,662</u>	<u>\$ 59,131</u>

Depreciation and amortization expense was \$120,324 and \$65,433 for the years ended June 30, 2018 and 2017, respectively.

#### Note 5. 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, 2018 and 2017, there was \$887,850 and \$1,757,471 payable under the agreement, respectively.

The interest incurred on the line of credit was \$80,570 and \$33,911 for the years ended June 30, 2018 and 2017, respectively.

#### Note 6. Grants Payable

The Foundation issues grants consistent with its organizational purpose. Grants payable activity and ending balances at June 30, 2018, are as follows:

Years ended June 30:	Total Grants Approved	Amounts Paid through June 30, 2018	Remaining Balance Payable at June 30, 2018
2015	\$ 2,875,367	\$ 2,766,434	\$ 108,933
2016	3,067,316	3,010,943	56,373
2017	4,002,179	3,783,469	218,710
2018	3,367,899	1,039,054	2,328,845
			<u>\$ 2,712,861</u>

#### Note 7. Related Parties

The Foundation's Board of Directors consists of 24 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**

---

**Note 8. Operating Leases**

The Foundation had a ten-year, non-cancelable office lease, which commenced on January 1, 2008, and expired 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 Foundation did not renew this lease.

During the year ended June 30, 2018, the Foundation executed a new office lease agreement, which commenced on January 1, 2018, and expires on October 31, 2028. The lease provides for one five-year option to renew at fair market rental rates. 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. As part of the agreement, the landlord paid for \$1,222,470 of leasehold improvements, which is a component of deferred rent. The leasehold improvements and the rent escalations give rise to a deferred rent liability, which is being amortized over the lease term. Deferred rent at June 30, 2018 and 2017 was \$1,530,443 and \$28,234, respectively.

The future minimum lease payments under the new operating lease is as follows:

Years ending June 30:	
2019	\$ 468,853
2020	716,439
2021	734,350
2022	752,709
2023	771,427
2024 and thereafter	4,451,346
	<u>\$ 7,895,124</u>

For the years ended June 30, 2018 and 2017, rent expense including operating costs were \$480,595 and \$335,658, respectively.

During the year ended June 30, 2018, the Foundation entered into a sublease agreement with a sublessee for part of its new office space for five years starting January 1, 2018.

The future minimum rental receipts under the sublease is as follows:

Years ending June 30:	
2019	\$ 127,477
2020	144,372
2021	150,147
2022	156,152
2023	79,607
	<u>\$ 657,755</u>

For the year ended June 30, 2018, the Foundation recognized rent income of \$84,878, which is included in other income on the statements of activities.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

#### Note 9. 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, 2018 and 2017, the Foundation's matching contribution was \$65,185 and \$70,098, respectively.

#### Note 10. Employment Agreement

The Foundation has entered into an employment contract with the President of the Foundation, which expires on October 31, 2020. 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 11. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets during the years ended June 30, 2018 and 2017 are as follows:

	Balance June 30, 2017	Additions	Released	Balance June 30, 2018
Time restricted:				
New York Soccer for Success	\$ 35,962	\$ 126,107	\$ (68,325)	\$ 93,744
Safe Places to Play	-	208,000	-	208,000
Trinity Soccer for Success	75,000	-	(75,000)	-
	<u>110,962</u>	<u>334,107</u>	<u>(143,325)</u>	<u>301,744</u>
Purpose restricted:				
Safe Places to Play	-	10,000,000	(1,003,063)	8,996,937
Soccer for Success	-	2,117,204	(472,125)	1,645,079
Vanole fund	172,968	-	-	172,968
Los Angeles City Soccer Initiative	-	150,000	(53,690)	96,310
Mooch fund	99,193	312	(14,944)	84,561
Koskinen fund	16,000	-	-	16,000
	<u>288,161</u>	<u>12,267,516</u>	<u>(1,543,822)</u>	<u>11,011,855</u>
	<u>\$ 399,123</u>	<u>\$ 12,601,623</u>	<u>\$ (1,687,147)</u>	<u>\$ 11,313,599</u>
	Balance June 30, 2016	Additions	Released	Balance June 30, 2017
Time restricted:				
New York Soccer for Success	\$ 34,907	\$ 207,921	\$ (206,866)	\$ 35,962
Trinity Soccer for Success	-	500,000	(425,000)	75,000
DC Soccer for Success	5,004	97,736	(102,740)	-
	<u>39,911</u>	<u>805,657</u>	<u>(734,606)</u>	<u>110,962</u>
Purpose restricted:				
Vanole fund	172,968	-	-	172,968
Mooch fund	126,794	600	(28,201)	99,193
Koskinen fund	16,000	-	-	16,000
	<u>315,762</u>	<u>600</u>	<u>(28,201)</u>	<u>288,161</u>
	<u>\$ 355,673</u>	<u>\$ 806,257</u>	<u>\$ (762,807)</u>	<u>\$ 399,123</u>



RSM US LLP

## Independent Auditor's Report on the Supplementary Information

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

We have audited the financial statements of United States Soccer Federation Foundation, Inc. as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated October 19, 2018, 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 for the years ended June 30, 2018 and 2017 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.

*RSM US LLP*

Washington, D.C.  
October 19, 2018

United States Soccer Federation Foundation, Inc.

Schedule of Functional Expenses  
Year Ended June 30, 2018  
(With Comparative Totals for 2017)

	Program Services			Supporting Services		2018 Total	2017 Total
	Programs and Grants	Communications	Government Relations	Development	Management and General		
Compensation and benefits	\$ 942,354	\$ 425,514	\$ 88,419	\$ 719,516	\$ 439,712	\$ 2,615,515	\$ 2,684,731
Professional services	185,927	329,273	30,282	201,107	438,009	1,184,598	504,981
Occupancy	-	-	-	-	480,595	480,595	335,658
Travel and meals	128,698	55,942	4,775	87,726	71,366	348,507	351,701
Meetings and special events expense	108,832	89,287	58,053	28,028	16,356	300,556	162,702
Office expenses	5,134	16,982	220	3,312	265,946	291,594	274,041
National training	148,823	-	-	-	-	148,823	141,252
Banking, payroll and state registration fees	4,963	-	257	21,599	91,182	118,001	72,260
Marketing and communications	3,330	69,706	1,106	30,187	8,912	113,241	112,897
Risk management	-	-	-	-	108,093	108,093	79,906
eLearning	70,400	-	-	-	-	70,400	30,000
Miscellaneous employee expenses	4,112	7,190	22,000	6,677	28,451	68,430	46,333
Curriculum and evaluation	43,007	-	-	-	-	43,007	33,207
Facilitators summit	37,251	-	-	-	-	37,251	40,865
Soccer for Success program expenses	12,157	-	-	-	-	12,157	-
Charitable contributions	-	-	-	-	10,000	10,000	12,500
Soccer equipment and gear	1,431	-	-	-	-	1,431	10,044
General in-kind expenses	200,634	189,000	84,660	187,405	1,950	663,649	418,672
<b>Total before grants</b>	<b>1,897,053</b>	<b>1,182,894</b>	<b>289,772</b>	<b>1,285,557</b>	<b>1,960,572</b>	<b>6,615,848</b>	<b>5,311,750</b>
Grant awards	5,546,998	-	-	-	-	5,546,998	6,079,011
Allocated overhead expenses	329,541	62,701	29,569	142,509	(564,320)	-	-
<b>Total expenses</b>	<b>\$ 7,773,592</b>	<b>\$ 1,245,595</b>	<b>\$ 319,341</b>	<b>\$ 1,428,066</b>	<b>\$ 1,396,252</b>	<b>\$ 12,162,846</b>	<b>\$ 11,390,761</b>