

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

Financial Report  
June 30, 2016

## Contents

---

Independent auditor's report	1-2
------------------------------	-----

---

Financial statements	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6-18

---

Independent auditor's report on the supplementary information	19
---	----

---

Supplementary information	
Schedule of functional expenses	20

---



RSM US LLP

## 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, 2016 and 2015, 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, 2016 and 2015, 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 11, 2016 and October 22, 2015, 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.

*RSM US LLP*

Washington, D.C.

October 11, 2016

United States Soccer Federation Foundation, Inc.

Statements of Financial Position  
June 30, 2016 and 2015

	2016	2015
<b>Assets</b>		
Cash	\$ 132,698	\$ 97,133
Grants receivable	627,553	530,430
Contributions receivable	1,765,381	2,598,146
Investments	44,111,736	48,353,746
Property and equipment, net	124,564	85,254
Other assets	74,941	73,903
	<u>\$ 46,836,873</u>	<u>\$ 51,738,612</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,575,727	\$ 792,807
Margin line of credit	1,780,692	840,279
Refundable grants	359,485	154,850
Grants payable	3,073,582	3,575,190
Deferred rent	80,060	123,050
	<u>6,869,546</u>	<u>5,486,176</u>
Net assets:		
Unrestricted	39,611,654	45,802,770
Temporarily restricted	355,673	449,666
	<u>39,967,327</u>	<u>46,252,436</u>
	<u>\$ 46,836,873</u>	<u>\$ 51,738,612</u>

See notes to financial statements.

United States Soccer Federation Foundation, Inc.

Statements of Activities

Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Contributions	\$ 2,817,091	\$ 271,067	\$ 3,088,158	\$ 3,059,680	\$ 213,527	\$ 3,273,207
Investment income	808,854	-	808,854	800,666	-	800,666
In-kind contributions	496,619	-	496,619	518,664	-	518,664
Other income	140,323	-	140,323	349,400	-	349,400
Federal grant revenue	2,575,507	-	2,575,507	2,387,054	-	2,387,054
Net assets released from restrictions	365,060	(365,060)	-	246,884	(246,884)	-
<b>Total revenue and support</b>	<b>7,203,454</b>	<b>(93,993)</b>	<b>7,109,461</b>	<b>7,362,348</b>	<b>(33,357)</b>	<b>7,328,991</b>
Expenses:						
Program services:						
Programs and grants	8,285,326	-	8,285,326	8,061,137	-	8,061,137
Communications	764,288	-	764,288	786,692	-	786,692
Government relations	428,671	-	428,671	334,316	-	334,316
	<b>9,478,285</b>	<b>-</b>	<b>9,478,285</b>	<b>9,182,145</b>	<b>-</b>	<b>9,182,145</b>
Supporting services:						
Development	779,342	-	779,342	819,087	-	819,087
Management and general	621,892	-	621,892	621,323	-	621,323
	<b>1,401,234</b>	<b>-</b>	<b>1,401,234</b>	<b>1,440,410</b>	<b>-</b>	<b>1,440,410</b>
<b>Total expenses</b>	<b>10,879,519</b>	<b>-</b>	<b>10,879,519</b>	<b>10,622,555</b>	<b>-</b>	<b>10,622,555</b>
<b>Change in net assets before market value adjustment on investments</b>	<b>(3,676,065)</b>	<b>(93,993)</b>	<b>(3,770,058)</b>	<b>(3,260,207)</b>	<b>(33,357)</b>	<b>(3,293,564)</b>
Realized and unrealized (losses) gains on investments	(2,515,051)	-	(2,515,051)	441,027	-	441,027
<b>Change in net assets</b>	<b>(6,191,116)</b>	<b>(93,993)</b>	<b>(6,285,109)</b>	<b>(2,819,180)</b>	<b>(33,357)</b>	<b>(2,852,537)</b>
Net assets:						
Beginning	45,802,770	449,666	46,252,436	48,621,950	483,023	49,104,973
Ending	<b>\$ 39,611,654</b>	<b>\$ 355,673</b>	<b>\$ 39,967,327</b>	<b>\$ 45,802,770</b>	<b>\$ 449,666</b>	<b>\$ 46,252,436</b>

See notes to financial statements.

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

**Statements of Cash Flows**

**Years Ended June 30, 2016 and 2015**

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (6,285,109)	\$ (2,852,537)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	36,815	47,088
Realized and unrealized loss (gain) on investments	2,515,051	(441,027)
Deferred rent	(42,990)	(34,381)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(97,123)	(245,815)
Contributions receivable	832,765	1,043,487
Other assets	(1,038)	34,417
Increase (decrease) in:		
Accounts payable and accrued expenses	782,920	(185,688)
Refundable grants	204,635	(86,508)
Grants payable	(501,608)	(647,781)
<b>Net cash used in operating activities</b>	<b>(2,555,682)</b>	<b>(3,368,745)</b>
Cash flows from investing activities:		
Proceeds from sales of investments	18,072,630	38,597,315
Purchases of investments	(16,345,671)	(35,093,780)
Purchases of property and equipment	(76,125)	(19,582)
<b>Net cash provided by investing activities</b>	<b>1,650,834</b>	<b>3,483,953</b>
Cash flows from financing activities:		
Net borrowings (payments) on margin line of credit	940,413	(54,662)
<b>Net cash provided by (used in) financing activities</b>	<b>940,413</b>	<b>(54,662)</b>
<b>Net increase in cash</b>	<b>35,565</b>	<b>60,546</b>
Beginning cash	97,133	36,587
Ending cash	\$ 132,698	\$ 97,133
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 16,830	\$ 21,538

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 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, 2016 and 2015.

**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, 2016 and 2015.

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

---

#### 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 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 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 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 \$496,619 and \$518,664 of contributed in-kind goods and services during 2016 and 2015, 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

---

#### 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. Income from nonexempt functions is subject to income taxes to the extent that the revenue exceeds related costs. No net income was taxable in 2016 or 2015; 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.

**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.

**Adopted accounting pronouncement:** In May 2015, the FASB issued Accounting Standards Update (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 fiscal year beginning July 1, 2017. Early adoption is permitted.

The Foundation adopted this ASU for the year ended June 30, 2016, and it was retrospectively applied to the year ended June 30, 2015. Prior year disclosures have been revised to reflect the retrospective application of this ASU. The impact of adoption this ASU is reflected in Note 2.

**Upcoming accounting pronouncement:** In August 2016, the FASB issued 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. Early adoption 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 management has not evaluated the impact of this ASU on the financial statements.

United States Soccer Federation Foundation, Inc.

Notes to Financial Statements

---

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

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 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.

**Subsequent events:** The Foundation evaluated subsequent events through October 11, 2016, which is the date financial statements were available to be issued.

**Note 2. Investments**

Investments consist of the following at June 30, 2016 and 2015:

	2016	2015
Alternative investments	\$ 14,181,459	\$ 15,013,573
Mutual funds	11,966,586	11,188,988
U.S. stocks	9,848,611	2,921,278
Exchange traded funds	5,175,931	15,934,730
Fixed income	2,564,153	2,957,701
Cash and money market*	374,996	337,476
	<u>\$ 44,111,736</u>	<u>\$ 48,353,746</u>

\*Cash and money market accounts held at cost.

The following schedule summarizes the investment income for the years ended June 30, 2016 and 2015:

	2016	2015
Interest and dividends	\$ 906,615	\$ 950,531
Investment fees	(97,761)	(149,865)
	<u>\$ 808,854</u>	<u>\$ 800,666</u>

The following schedule summarizes the realized and unrealized (losses) gains on investments for the years ended June 30, 2016 and 2015:

	2016	2015
Realized losses	\$ (441,863)	\$ (20,014)
Unrealized (losses) gains	(2,073,188)	461,041
	<u>\$ (2,515,051)</u>	<u>\$ 441,027</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 per unit as a practical expedient by major class:

	As of June 30, 2016				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Gate/Lock-up
Fund of funds – long/small cap (d)	\$ 46,946	\$ -	Monthly	5 days	None
	<u>46,946</u>	<u>-</u>			
Private equity funds – venture/buyout (e)	1,394,986	1,660,000	Longer than one year	Not Applicable	None
Private equity managers – venture/industry/buyout (b)	496,500	3,043,111	Upon liquidation of the fund	Not Applicable	None
	<u>1,891,486</u>	<u>4,703,111</u>			
Equity funds – international (f)	3,142,925	-	Daily	None	None
Equity funds – small cap (g)	1,806,820	-	Daily	None	None
	<u>4,949,745</u>	<u>-</u>			
Hedge funds – diversified (a)	7,293,282	-	Quarterly	91 days	1 Year
	<u>\$ 14,181,459</u>	<u>\$ 4,703,111</u>			
	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 of the fund	Not Applicable	None
	<u>2,019,194</u>	<u>2,326,987</u>			
Hedge funds – diversified (a)	7,074,537	-	Quarterly	91 days	1 Year
	<u>\$ 15,013,573</u>	<u>\$ 2,326,987</u>			

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 2. Investments (Continued)

- (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. During 2016, the Foundation purchased shares which the Foundation 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.
- (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, 2016, 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. As of June 30, 2016, the Foundation liquidated all of the shares of this fund.

## United States Soccer Federation Foundation, Inc.

### Notes to Financial Statements

---

#### Note 2. Investments (Continued)

- (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, 2016, 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.
- (f) *Equity fund – 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.
- (g) *Equity fund – 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 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. 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.

**U.S. stocks, 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:** 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, 2016:

Description	2016			
	Total	Level 1	Level 2	Level 3
U.S. stocks:				
Financial services	\$ 8,001,947	\$ 8,001,947	\$ -	\$ -
Services	658,444	658,444	-	-
Technology	363,979	363,979	-	-
Healthcare	283,186	283,186	-	-
Basic materials	191,086	191,086	-	-
Consumer goods	176,048	176,048	-	-
Industrial goods	173,921	173,921	-	-
	<u>9,848,611</u>	<u>9,848,611</u>	-	-
Mutual funds – corporate bonds:				
Mixed asset – international	3,785,182	3,785,182	-	-
High yield bond	2,714,343	2,714,343	-	-
Ultrashort bond	2,315,304	2,315,304	-	-
Emerging market bonds	1,312,468	1,312,468	-	-
Intermediate-term bonds	921,597	921,597	-	-
Intermediate government	917,692	917,692	-	-
	<u>11,966,586</u>	<u>11,966,586</u>	-	-
Fixed income:				
U.S. treasury bills	2,564,153	-	2,564,153	-
Exchange traded funds:				
Foreign large blend	3,095,445	3,095,445	-	-
Global real estate	2,080,486	2,080,486	-	-
	<u>5,175,931</u>	<u>5,175,931</u>	-	-
Total assets classified at fair value	<u>\$ 29,555,281</u>	<u>\$ 26,991,128</u>	<u>\$ 2,564,153</u>	<u>\$ -</u>
Total investments:				
Classified at fair value	\$ 29,555,281			
Held at net asset value (NAV) (a)	14,181,459			
Held at cost	374,996			
	<u>\$ 44,111,736</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, 2015:

Description	2015			
	Total	Level 1	Level 2	Level 3
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>	-	-
Total assets classified at fair value	<u>\$ 33,002,697</u>	<u>\$ 30,044,996</u>	<u>\$ 2,957,701</u>	<u>\$ -</u>
Total investments:				
Classified at fair value	\$ 33,002,697			
Held at net asset value (NAV) (a)	15,013,573			
Held at cost	337,476			
	<u>\$ 48,353,746</u>			

(a) In accordance with Codification Topic 820-10, certain investments that are measured at fair value using the net asset value (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 3. Property and Equipment**

Property and equipment consist of the following at June 30, 2016 and 2015:

	2016		2015
Equipment and software	\$ 123,177	\$	157,903
Leasehold improvements	135,116		135,116
	<u>258,293</u>		<u>293,019</u>
Less accumulated depreciation	133,729		207,765
	<u>\$ 124,564</u>	\$	<u>85,254</u>

Depreciation and amortization expense was \$36,815 and \$47,088 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, there was \$1,780,692 and \$840,279 payable under the agreement, respectively.

The interest incurred on the line of credit was \$16,830 and \$21,538 for the years ended June 30, 2016 and 2015, respectively.

**Note 5. Grants Payable**

The Foundation issues grants consistent with its organizational purpose. Grants payable activity and ending balances at June 30, 2016, are as follows:

Years ended June 30,	Total Grants Approved	Amounts Paid as of June 30, 2016	Remaining Balance Payable at June 30, 2016
2013	\$ 2,605,650	\$ 2,525,650	\$ 80,000
2014	3,529,356	2,910,336	619,020
2015	2,875,367	2,298,097	577,270
2016	3,067,394	1,270,102	1,797,292
			<u>\$ 3,073,582</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**

---

**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, 2016 and 2015, was \$80,060 and \$123,050, respectively.

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

	<u>Amount</u>
Years ending June 30:	
2017	\$ 350,246
2018	177,444
	<u>\$ 527,690</u>

For the years ended June 30, 2016 and 2015, rent expense including operating costs were \$325,348 and \$323,123, 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, 2016 and 2015, the Foundation's matching contribution was \$67,188 and \$46,719, respectively.

**Note 9. 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.

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

**Notes to Financial Statements**

**Note 10. Restricted Net Assets**

Changes in temporarily restricted net assets during the years ended June 30, 2016 and 2015, are as follows:

	Balance June 30, 2015	Additions	Released	Balance June 30, 2016
Time restricted:				
New York Soccer for Success	\$ 64,243	\$ 179,738	\$ (209,074)	\$ 34,907
DC Soccer for Success	33,170	88,839	(117,005)	5,004
Washington School for Girls	6,535	990	(7,525)	-
	<u>103,948</u>	<u>269,567</u>	<u>(333,604)</u>	<u>39,911</u>
Purpose restricted:				
Vanole fund	172,968	-	-	172,968
Mooch fund	156,750	1,500	(31,456)	126,794
Koskinen fund	16,000	-	-	16,000
	<u>345,718</u>	<u>1,500</u>	<u>(31,456)</u>	<u>315,762</u>
	<u>\$ 449,666</u>	<u>\$ 271,067</u>	<u>\$ (365,060)</u>	<u>\$ 355,673</u>

	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>



RSM US LLP

## 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, 2016 and 2015, and have issued our report thereon dated October 11, 2016, 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.

*RSM US LLP*

Washington, D.C.  
October 11, 2016

United States Soccer Federation Foundation, Inc.

Schedule of Functional Expenses  
Year Ended June 30, 2016  
(With Comparative Totals for 2015)

	Program Services			Supporting Services		2016 Total	2015 Total
	Programs and Grants	Communications	Government Relations	Development	Management and General		
Compensation and benefits	\$ 1,088,191	\$ 338,596	\$ 111,835	\$ 428,332	\$ 403,930	\$ 2,370,884	\$ 1,905,113
Professional services	3,266	179,341	123,922	66,976	195,924	569,429	423,105
Occupancy	-	-	-	-	325,348	325,348	323,123
In-kind program expenses	48,541	110,000	75,573	-	677	234,791	306,473
Travel and meals	123,057	27,502	8,665	55,059	58,524	272,807	282,328
Meetings and special events expense	89,976	524	62,726	13,104	5,464	171,794	266,587
Office expenses	64,053	18,564	2,183	15,658	143,058	243,516	176,889
Development Academy / NWSL sponsorship	200,000	-	-	-	-	200,000	288,862
Soccer for success program expenses	302,515	-	-	-	-	302,515	297,440
Risk management	-	-	-	-	88,224	88,224	78,988
Banking, payroll and state registration fees	6,310	-	182	18,365	23,598	48,455	54,071
Miscellaneous employee expenses	12,680	3,266	2,240	10,856	21,483	50,525	34,582
Marketing and communications	8,442	11,920	1,288	27,070	2,599	51,319	30,796
Charitable contributions	-	-	-	-	10,600	10,600	15,000
Soccer equipment and gear	-	-	-	-	8,166	8,166	1,542
<b>Total before grants</b>	<b>1,947,031</b>	<b>689,713</b>	<b>388,614</b>	<b>635,420</b>	<b>1,287,595</b>	<b>4,948,373</b>	<b>4,484,899</b>
Grant awards	5,931,146	-	-	-	-	5,931,146	6,137,656
Allocated overhead expenses	407,149	74,575	40,057	143,922	(665,703)	-	-
<b>Total expenses</b>	<b>\$ 8,285,326</b>	<b>\$ 764,288</b>	<b>\$ 428,671</b>	<b>\$ 779,342</b>	<b>\$ 621,892</b>	<b>\$ 10,879,519</b>	<b>\$ 10,622,555</b>