

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**United States Soccer Federation, Inc.**

March 31, 2019 and 2018

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**GRANT THORNTON LLP**

Grant Thornton Tower  
171 N. Clark Street, Suite 200  
Chicago, IL 60601-3370

**D** +1 312 856 0200

**F** +1 312 565 4719

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
United States Soccer Federation, Inc.

We have audited the accompanying consolidated financial statements of United States Soccer Federation, Inc. (USSF), which comprise the consolidated statement of financial position as of March 31, 2019, and the related consolidated statements of activities, and cash flows for the year 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 consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of USSF as of March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other matter**

The financial statements of USSF as of and for the year ended March 31, 2018, were audited by other auditors. Those auditors expressed an unmodified opinion on those 2018 financial statements in their report dated March 1, 2019.

*Grant Thornton LLP*

Chicago, Illinois

December 11, 2019

United States Soccer Federation, Inc.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

March 31,

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 14,674,981	\$ 10,396,156
Cash held in escrow	2,302,475	1,506,857
Accounts receivable, net	8,643,128	8,815,026
Prepaid expenses and advances	3,252,145	4,683,010
Investments		
Undesignated	151,472,999	161,461,299
Designated - option plan	2,190,914	2,167,492
Property and equipment, net	<u>4,863,848</u>	<u>5,934,738</u>
<b>Total Assets</b>	<b><u>\$ 187,400,490</u></b>	<b><u>\$ 194,964,578</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 24,456,183	\$ 21,082,522
Deferred revenue		
Sponsorship	5,039,059	2,250,000
Games	4,139,396	592,371
Referee registration	1,402,161	1,864,423
Coaching	90,300	106,950
Other	290,556	-
Deferred compensation - option plan	<u>2,190,914</u>	<u>2,167,492</u>
<b>Total Liabilities</b>	37,608,569	28,063,758
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	145,858,588	144,202,974
Designated - player development	<u>-</u>	<u>22,697,846</u>
Total net assets without donor restrictions	145,858,588	166,900,820
With donor restrictions	<u>3,933,333</u>	<u>-</u>
<b>Total Net Assets</b>	<b><u>149,791,921</u></b>	<b><u>166,900,820</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 187,400,490</u></b>	<b><u>\$ 194,964,578</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**United States Soccer Federation, Inc.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**Year ended March 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Registration and affiliation fees			
Youth	\$ 3,758,592	\$ -	\$ 3,758,592
Referee	2,938,128	-	2,938,128
Professional	1,319,396	-	1,319,396
Amateur	500,425	-	500,425
	<u>8,516,541</u>	<u>-</u>	<u>8,516,541</u>
Sponsorship, television, licensing, and royalties	51,031,249	-	51,031,249
National Teams' game revenues	29,498,265	-	29,498,265
International game revenues	3,198,406	-	3,198,406
Player development revenues	3,570,932	-	3,570,932
Coaching education	3,138,198	-	3,138,198
Open Cup	1,075,674	-	1,075,674
Olympic Committee funding	705,000	-	705,000
Development and fundraising	1,320,320	3,933,333	5,253,653
Other	2,672,634	-	2,672,634
Net assets released from restrictions	-	-	-
	<u>104,727,219</u>	<u>3,933,333</u>	<u>108,660,552</u>
<b>Total Revenues</b>			
<b>Expenses</b>			
National Teams	82,623,188	-	82,623,188
Management expenses	33,337,901	-	33,337,901
Referee program	4,150,554	-	4,150,554
Coaching program	8,943,816	-	8,943,816
National Board of Directors' and committees' expenses	892,185	-	892,185
Open Cup	1,192,013	-	1,192,013
Annual general meeting expenses	664,916	-	664,916
	<u>131,804,573</u>	<u>-</u>	<u>131,804,573</u>
<b>Total Expenses</b>			
Change in net assets before investment return	(27,077,354)	3,933,333	(23,144,021)
Investment return, net	6,035,122	-	6,035,122
	<u>(21,042,232)</u>	<u>3,933,333</u>	<u>(17,108,899)</u>
<b>Change in Net Assets</b>			
<b>Net Assets, beginning of year</b>	<u>166,900,820</u>	<u>-</u>	<u>166,900,820</u>
<b>Net Assets, end of year</b>	<u>\$ 145,858,588</u>	<u>\$ 3,933,333</u>	<u>\$ 149,791,921</u>

The accompanying notes are an integral part of these consolidated financial statements.

United States Soccer Federation, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended March 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Registration and affiliation fees			
Youth	\$ 3,956,015	\$ -	\$ 3,956,015
Referee	2,880,194	-	2,880,194
Professional	1,406,122	-	1,406,122
Amateur	522,168	-	522,168
	<u>8,764,499</u>	<u>-</u>	<u>8,764,499</u>
Sponsorship, television, licensing, and royalties	51,985,903	-	51,985,903
National Teams' game revenues	25,313,047	-	25,313,047
International game revenues	4,669,534	-	4,669,534
Player development revenues	2,572,501	-	2,572,501
Coaching education	3,293,404	-	3,293,404
Open Cup	1,501,411	-	1,501,411
Olympic Committee funding	749,636	-	749,636
Development and fundraising	1,372,441	-	1,372,441
Other	1,942,225	-	1,942,225
Net assets released from restrictions	500,000	(500,000)	-
<b>Total Revenues</b>	<u>102,664,601</u>	<u>(500,000)</u>	<u>102,164,601</u>
<b>Expenses</b>			
National Teams	71,893,738	-	71,893,738
Management expenses	27,819,116	-	27,819,116
Referee program	4,458,679	-	4,458,679
Coaching program	6,491,586	-	6,491,586
National Board of Directors' and committees' expenses	944,178	-	944,178
Game expenses	(4,276,935)	-	(4,276,935)
Open Cup	1,138,863	-	1,138,863
Annual general meeting expenses	722,972	-	722,972
<b>Total Expenses</b>	<u>109,192,197</u>	<u>-</u>	<u>109,192,197</u>
Change in net assets before investment return	(6,527,596)	(500,000)	(7,027,596)
Investment return, net	5,289,330	-	5,289,330
<b>Change in Net Assets</b>	(1,238,266)	(500,000)	(1,738,266)
<b>Net Assets, beginning of year</b>	<u>168,139,086</u>	<u>500,000</u>	<u>168,639,086</u>
<b>Net Assets, end of year</b>	<u>\$ 166,900,820</u>	<u>-</u>	<u>\$ 166,900,820</u>

The accompanying notes are an integral part of these consolidated financial statements.

United States Soccer Federation, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31,

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (17,108,899)	\$ (1,738,266)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,622,161	1,062,594
Realized and unrealized investment gains	(2,469,859)	(2,948,323)
Changes in operating assets and liabilities		
Cash held in escrow	(795,618)	(140,684)
Accounts receivable	171,898	55,152,182
Prepaid expenses and advances	1,430,865	418,272
Accounts payable and accrued expenses	3,373,661	(89,392,234)
Deferred revenue	6,147,728	(2,654,390)
Deferred compensation - option plan	23,422	249,333
Net cash used in operating activities	<u>(7,604,641)</u>	<u>(39,991,516)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(4,717,833)	(65,592,677)
Proceeds from sales of investments	17,152,570	15,501,670
Capitalization of software development costs	-	(3,695,232)
Purchases of property and equipment	<u>(551,271)</u>	<u>(388,274)</u>
Net cash provided by (used in) investing activities	<u>11,883,466</u>	<u>(54,174,513)</u>
Net change in cash and cash equivalents	4,278,825	(94,166,029)
Cash and cash equivalents, beginning of year	<u>10,396,156</u>	<u>104,562,185</u>
Cash and cash equivalents, end of year	<u>\$ 14,674,981</u>	<u>\$ 10,396,156</u>

The accompanying notes are an integral part of these consolidated financial statements.



**United States Soccer Federation, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2019 and 2018**

**NOTE 1 - NATURE OF OPERATIONS**

United States Soccer Federation, Inc. (USSF) was incorporated in New York on June 29, 1914, as a nonprofit corporation. The purpose of USSF is to promote and govern the game of soccer at all levels in the United States of America.

USSF is affiliated through membership with the Fédération Internationale de Football Association (FIFA), which is the world-governing body of soccer and is comprised of the various national soccer associations. FIFA is responsible for promoting and governing the game of soccer throughout the world. USSF is recognized as the National Governing Body of Soccer in the United States of America by FIFA and the United States Olympic and Paralympic Committee (USOPC), as provided by the Ted Stevens Olympic and Amateur Sports Act, and operates various national team programs, including the Men's National Team (USMNT) and Women's National Team (USWNT).

CA2016 Local Organizing Committee LLC (CA2016 LOC), a single-member LLC formed on October 29, 2014. The sole member of CA2016 LOC is USSF. USSF established CA2016 LOC for the purpose of organizing and promoting the Copa America Centenario 2016 tournament held in the United States. Under the Amended & Restated Local Organizing Committee Agreement between CA2016 LOC and Confederation of North, Central America and Caribbean Association Football (Concacaf), Concacaf designated CA2016 LOC as the official and exclusive local organizing committee (LOC) to host and stage the tournament. In consideration for performing the LOC services under the agreement, CA2016 LOC received net ticketing and stadium revenues generated by the tournament games. These revenues are consolidated with USSF's financial statements pursuant to the principles discussed in Note 2.

CA2016 Marketing, Inc. (CA2016 Marketing) was incorporated and formed by CA2016 LOC on February 12, 2016, to provide marketing and administrative services for the Copa America Centenario 2016 tournament. The sole owner of the entity is CA2016 LOC.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Principles of Consolidation***

The consolidated financial statements include the accounts of USSF and CA2016 LOC, which in turn includes the accounts of CA2016 Marketing (collectively referred to hereinafter as USSF). Inter-entity transactions and balances have been eliminated in consolidation.

***Basis of Presentation***

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of American (U.S. GAAP). These consolidated financial statements report amounts separately by class of net assets. The separate classes of assets are defined as net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions include all resources that are not subject to donor-imposed restrictions. Net assets without donor restrictions also include board-designated funds. Net assets with donor restrictions include resources that are subject to donor stipulations that limit the use of the contributed assets. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of March 31, 2019 and 2018, USSF had no such funds. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

**United States Soccer Federation, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2019 and 2018**

***Recently Adopted Accounting Pronouncements***

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets rather than three classes, (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (d) presenting investment return net of external and direct expenses. USSF implemented ASU 2016-14 effective for the year ended March 31, 2019 on a retrospective basis.

***Recent Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which established a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for non-public entities for annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. ASU 2014-09 is to be applied using one of two retrospective application methods. Management is currently evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2020. Early adoption is permitted. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assists entities in 1) evaluation whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions and 2) determining whether a contribution is conditional. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

***Cash and Cash Equivalents***

USSF considers all unrestricted highly liquid financial instruments with an original maturity of three months or less to be cash equivalents. USSF maintains its cash in bank deposit accounts which at times may exceed federally insured limits. USSF has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

***Cash Held in Escrow***

USSF receives cash deposits from the organizers of impending international games. After the international games to which the deposits relate are played and game reports filed, USSF distributes the deposits, plus other fees received, to the appropriate recipients as provided in its Bylaws and Polices. These funds are distributed based on a predetermined percentage of the total ticket sales for each respective international game according to its International Matches Policy. One of the recipients of such distributions is USSF.

**United States Soccer Federation, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2019 and 2018**

***Accounts Receivable***

Accounts receivable are comprised primarily of Men's and Women's National Teams' game revenue, player registration fees, and contractual sponsorship, television and licensing revenue. USSF closely reviews all outstanding accounts receivable and follows up on all delinquent amounts in a timely manner. Delinquency status is determined based on the recent payment history of the customer. Amounts are considered uncollectible only when the customer is unable to provide collateral for the amount outstanding or commit to a payment plan. The allowance for doubtful accounts as of March 31, 2019 and 2018 was approximately \$94,000.

***Investments***

Investments are stated at fair value. Investments include fixed income securities, such as corporate bonds, U.S treasury notes, and U.S. government agency obligations, equity and fixed income mutual funds and invested cash and cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value because of the short maturity of these instruments.

USSF's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is possible that changes in the value of investments could occur in the near term that could materially affect the amounts reported in the consolidated financial statements.

***Property and Equipment***

Property and equipment, including leasehold improvements and software development costs, are recorded at cost net of accumulated depreciation and amortization. Significant property and equipment purchases are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. Depreciation and amortization are provided on a straight-line basis over estimated useful lives of five years for furniture, equipment and vehicles, three years for computer equipment and software development costs, twenty years for building and building improvements and the shorter of the useful life or the lease term for leasehold improvements.

***Contributions***

Contributions received are recorded based on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. USSF presents restricted contributions whose restrictions are met in the same reporting period as contributions without donor restrictions.

***Revenue Recognition***

**Registration and Affiliation Fees**

In addition to the scheduled membership fees provided in USSF policy, all member organizations of USSF that register players are required to pay a referee or player registration fee for services provided by USSF. Registration fees for individual players are determined by whether a player is registered as a youth, adult amateur, or professional player. Organization members pay to USSF \$1.00 for each registered youth player, and \$2.00 for each registered adult player. Professional Leagues pay according to schedules provided in the USSF Bylaws and Policies, ranging from approximately \$1,333 - \$2,000 per team in addition to a league fee that ranges from \$73,150 to \$350,000 plus \$30,000 for each team over 10, in each case depending on the division level of the applicable league. In addition to membership fees and registration fees, referees pay yearly registration fees. Registration and affiliation fees are recognized over the applicable term, which is the calendar year.

**United States Soccer Federation, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2019 and 2018**

Coaching Education

Coaches pay fees associated with coaching educational courses. These fees are recognized in the period in which the session is held.

Olympic Committee Funding

The USOPC provides grants to USSF to support its mission as the National Governing Body of Soccer in the United States. In addition, USSF receives in kind contributions from the USOPC related to airfare. Funding from the USOPC is recognized as donor restricted when received and reclassified as net assets released from restrictions in the consolidated statements of activities when the amounts are expended.

National Team Games and International Games

National Team games and international games revenue is recognized in the period (fiscal year) in which the applicable game is played. USSF recognizes revenue earned from international games net of amounts remitted to third parties. Revenues earned for USMNT events were \$16,370,831 and \$12,865,851 for the years ended March 31, 2019 and 2018. Revenues earned for USWNT events were \$12,554,448 and \$12,097,195 for the years ended March 31, 2019 and 2018.

Sponsorship, Television, and Licensing Revenue

USSF has two major agreements relating to its sponsorship, television and licensing rights: a marketing representation agreement with Soccer United Marketing, LLC (SUM) and a sponsorship and license agreement with Nike, Inc. ("Nike"). Revenue from these agreements is recognized as earned, according to the terms of the agreements (See Note 3).

Lamar Hunt U.S. Open Cup™

Dating back to 1914, the Lamar Hunt U.S. Open Cup™ is the oldest soccer competition in the United States and is among the oldest in the world. Open to all affiliated amateur and professional teams in the United States who qualify, the annual Lamar Hunt U.S. Open Cup™ is a single-elimination tournament organized and run by USSF. Revenue from the tournament is recognized from team entry and hosting fees received.

Player Development

Player development revenue includes a grant from FIFA's *FIFA Forward Programme* and Development Academy Club registration fee. The Development Academy Program, launched by the USSF in 2007, focuses on positively impacting everyday club environments to assist in maximizing elite youth player development across the country. Grant revenue is recognized when earned and revenue from registration revenue is recognized over the applicable term.

Development and Fundraising

In support of its non-profit mission, USSF actively seeks philanthropic contributions from individuals and family foundations. The process to cultivate these donations includes many different opportunities that already have a revenue component, including VIP experiences for USMNT and USWNT events, the World Cup Patrons Program, fundraisers, and networking events held throughout the United States.

**United States Soccer Federation, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2019 and 2018**

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Management bases these estimates and assumptions upon historical experience, existing known circumstances, authoritative accounting pronouncements and other factors that management believes to be reasonable. Actual results could differ from those estimates.

***Reclassifications***

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported results of operations.

**NOTE 3 - SPONSORSHIP AGREEMENTS**

***Soccer United Marketing (SUM)***

USSF entered into a marketing representation agreement with SUM, which is effective through December 31, 2022. In accordance with this agreement, USSF receives annual, guaranteed cash compensation that is recognized evenly over the calendar year to which the compensation relates. Under the agreement, third-party sponsorship, television, and licensing revenues from certain categories (for example, excluding those received from Nike) are paid to SUM, and SUM pays USSF annual guaranteed compensation. After certain revenue limits are reached, additional funding above the annual guarantee can be realized based on revenue sharing provisions within the agreement. USSF recognizes revenue earned under this agreement net based on amounts received from SUM.

Revenue under the agreement approximated \$28,500,000 and \$27,250,000 for the years ended March 31, 2019 and 2018, respectively. USSF was due receivables of \$348,334 and \$419,710 from SUM at March 31, 2019 and 2018, respectively.

***Nike***

USSF entered into a sponsorship and license agreement with Nike, which is effective through December 31, 2022. In accordance with this agreement, Nike pays USSF cash compensation including annual base compensation, minimum royalty guarantee payments, and discretionary funds. The agreement also provides for annual product supply allowances for the national teams' players, coaches, and staff members and other USSF programs such as the Development Academy. Additionally, the agreement provides for performance bonuses based on the USMNT and USWNT performance at various competitions.

For the year ended March 31, 2019, revenue under the agreement approximated \$22,531,000, which includes \$16,000,000 of base compensation, \$3,531,000 of equipment, and \$3,000,000 of merchandise royalties. For the year ended March 31, 2018, revenue under the agreement approximated \$24,624,000, which includes \$16,000,000 of base compensation, \$3,413,000 of equipment, and \$5,211,000 of merchandise royalties.

**NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

USSF follows ASC 820-10, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in U.S. GAAP and expands disclosures about fair value measurements.

Fair value measurement is based on a hierarchy of observable or unobservable inputs. The standard describes three levels of inputs that may be used to measure fair value.

**United States Soccer Federation, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2019 and 2018**

- Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
- Level 2 - Inputs to the valuation methodology other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value can be determined through the use of models or other valuation methodologies; and
- Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity of the asset and liability and the reporting entity makes estimates and assumptions relating to the pricing of the asset or liability including assumptions regarding risk.

The following tables set forth, by level within the fair value hierarchy, USSF's financial assets that were accounted for at fair value on a recurring basis as of March 31, 2019 and 2018. As required by ASC 820-10, assets and liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement. USSF's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect its placement within the fair value hierarchy levels. 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 consolidated statements of financial position.

	Fair Value as of March 31, 2019	Quoted Prices in Active Markets for Identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Corporate bonds	\$ 39,268,254	\$ -	\$ 39,268,254	\$ -
U.S. Treasury notes	23,815,927	-	23,815,927	-
U.S. government agency	9,408,635	-	9,408,635	-
Equity mutual funds	62,268,318	62,268,318	-	-
Fixed income mutual funds	10,768,665	10,768,665	-	-
Cash and cash equivalents	878,036	878,036	-	-
	<u>146,407,835</u>	<u>\$ 73,915,019</u>	<u>\$ 72,492,816</u>	<u>\$ -</u>
Investments measured at NAV: United States Olympic Endowment Investment	<u>7,256,078</u>			
Total Investments	<u>\$ 153,663,913</u>			

**United States Soccer Federation, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2019 and 2018**

	Fair Value as of March 31, 2018	Quoted Prices in Active Markets for Identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Corporate bonds	\$ 78,036,003	\$ -	\$ 78,036,003	\$ -
Bank loan fund	22,910,345	-	22,910,345	-
Equity mutual funds	54,224,169	54,224,169	-	-
Cash and cash equivalents	1,572,925	1,572,925	-	-
	<u>156,743,442</u>	<u>\$ 55,797,094</u>	<u>\$ 100,946,348</u>	<u>\$ -</u>
Investments measured at NAV:				
United States Olympic Endowment Investment	<u>6,885,349</u>			
Total Investments	<u>\$ 163,628,791</u>			

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below.

The fair value of corporate bonds, U.S. Treasury notes, and U.S. government agency securities are estimated using recently executed transactions, market price quotations (where observable), or bond spreads. If the spread data does not reference the issuer, then data that reference a comparable issuer is used. These fixed income securities are generally categorized in Level 2 of the fair value hierarchy.

Equity and fixed income mutual funds are valued based on the NAV as computed once per day based on the quoted market prices of the securities in the fund's portfolio and are generally categorized in Level 1 of the fair value hierarchy.

The U.S. Olympic Endowment Investment represents USSF's investment in a pooled account with the United States Olympic Endowment. The underlying securities of the pooled investment account are comprised of cash, common stocks, corporate bonds, mutual funds, U.S. Treasury notes, convertible securities, hedge equity funds, limited partnerships, real estate funds, private equity funds, bond fund trusts and fund of funds. The fair value of this investment has been estimated using the NAV per share of the investment as reported by the investment fund. Redemptions can be made at any time at NAV, upon 90 days' notice. USSF does not have any open commitments to make additional investments to the fund at March 31, 2019.

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**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at March 31:

	<u>2019</u>	<u>2018</u>
Building	\$ 417,759	\$ 417,759
Building improvements	1,003,764	452,494
Furniture and equipment	2,891,169	2,891,169
Software development	4,305,204	4,305,204
Vehicles	82,037	82,037
Leasehold improvements	<u>5,922,145</u>	<u>5,922,145</u>
	14,622,078	14,070,808
Less accumulated depreciation and amortization	<u>(9,758,230)</u>	<u>(6,910,506)</u>
	<u>\$ 4,863,848</u>	<u>\$ 5,934,738</u>

Depreciation and amortization expense was \$1,622,161 and \$1,062,594 for the years ended March 31, 2019 and 2018, respectively.

**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions include contributions subject to donor-imposed restrictions as to purpose that will be met by actions of USSF, or that expire by the passage of time.

The following table summarizes net assets with donor restriction as of March 31:

	<u>2019</u>	<u>2018</u>
Development Academy Clubs	\$ 3,283,333	\$ -
STEM High Performance Roles	650,000	
	<u>\$ 3,933,333</u>	<u>\$ -</u>

The following table summarizes the net assets that were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors for the years ended March 31:

	<u>2019</u>	<u>2018</u>
For initiatives related to youth development	\$ -	\$ 500,000
	<u>\$ -</u>	<u>\$ 500,000</u>



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**NOTE 7 – LIQUIDITY AND AVAILABILITY**

USSF regularly monitors liquidity to meet its operating needs and other contractual commitments. As part of USSF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, USSF invests cash in excess of operating requirements.

USSF's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 14,674,981
Accounts receivable, net	8,643,128
Undesignated investments	151,472,999
Less net assets with donor restrictions	<u>(3,933,333)</u>
Total financial assets available within one year	<u>\$ 170,857,775</u>

**NOTE 8 - INCOME TAXES**

USSF qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and, accordingly, is only subject to federal or state income taxes on specific types of income from activities that are unrelated to its exempt purpose. USSF had no income from unrelated activities and has no income taxes due as of March 31, 2019 and 2018.

CA2016 LOC is a single member limited liability company that is exempt from federal income tax under Section 501(c)(3) of the IRC. CA2016 Marketing is a taxable corporation whose sole stockholder is CA2016 LOC.

USSF's application of the accounting standards regarding uncertain tax positions had no effect on its financial position as management believes USSF has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. USSF would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

***Legal Matters***

USSF currently is involved in multiple legal actions. Management believes that there are no pending legal proceedings against or involving USSF where the outcome can be predicted and the financial impact be estimated.

***Frisco Stadium, LP***

USSF entered into a long-term agreement with Frisco Stadium, LP (FSLP) for the use of Pizza Hut Park's training and educational facilities for the benefit of USSF national teams and other organizational members. The agreement became effective October 16, 2006, and continues through December 31, 2025, with an automatic renewal to December 31, 2026, available without any action on behalf of the parties. USSF made four payments to FSLP to offset construction costs totaling \$5,000,000. The payments are being amortized to expense over the term of the agreement. The unamortized balance recorded as prepaid expense amounted to \$1,854,008 and \$2,128,664 at March 31, 2019 and 2018, respectively.

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**Leases**

USSF has entered into a long-term agreement with Anschutz Southern California Sports Complex for the use of the National Training Center, which became effective February 20, 2002, and will continue for 25 years from that date. The agreement consists of a building lease with an annual lodging guarantee. The agreement provides for USSF to pay an annual fee over the entire term of the lease, amounting to \$250,000 per year over the first three years of the lease, after which the fee is subject to annual Consumer Price Index increases. In conjunction with the agreement, USSF was originally required to make capital improvements to the facility totaling at least \$6,000,000, but the total was subsequently reduced due to construction changes. As of March 31, 2019 and 2018, USSF has capitalized leasehold improvements approximating \$5,922,000, which are being amortized over the shorter of the useful life of the improvement or the life of the lease.

USSF has entered into a long-term lease agreement with Kansas Training Development for the use of the Pinnacle National Development Center, which became effective January 23, 2018, and will continue for 20 years from that date. The agreement provides for USSF to pay an annual base rent of \$100,000 and additional rent based on a percentage share of annual operating expenses over the entire term of the lease.

The estimated future minimum lease payments under leases with terms in excess of one year are as follows.

<u>Year ending March 31,</u>	<u>Amount</u>
2020	\$ 438,499
2021	444,592
2022	450,794
2023	457,109
2024	463,536
2025 and thereafter	<u>2,513,678</u>
Total	<u>\$ 4,768,208</u>

Rental expense was \$474,205 and \$451,576 for the years ended March 31, 2019 and 2018, respectively.

**NOTE 10 - RELATED PARTIES**

The U.S. Soccer Federation Foundation (the Foundation) was organized on June 10, 1991, as a 501(c)(3) organization to assume the net assets of World Cup USA 1994. The Soccer Foundation's purpose is to manage the surplus funds from World Cup USA 1994 in order to create a permanent legacy for soccer in the United States through the funding of projects designated for long-term growth of the game and in support of USSF's vision to make soccer a preeminent sport recognized for excellence in participation, spectator appeal, international competition and gender equity. USSF and the Foundation share at least one common board member.

The National Soccer Hall of Fame Museum (the Hall of Fame), a Texas not-for-profit qualified under Section 501(c)(3) and a supporting organization of USSF pursuant to Section 509(a)(3), maintains the historical archives of soccer in the United States and promotes soccer through educational and cultural outreach. USSF appoints the members of the Board of the Hall of Fame.

National Women's Soccer League, LLC (NWSL LLC) was formed on December 12, 2012, and functions as a Division I professional women's soccer league. As of the date of these financials, NWSL is owned by its nine member teams. USSF is not a member of NWSL but, pursuant to a 2016 Amended and Restated Management Agreement, serves as the Manager of NWSL LLC and, in this capacity, USSF performs

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management, governance, operational, administrative, and advisory services for NWSL. The management agreement is currently effective through December 31, 2019. USSF does not receive any management fees or rent from NWSL as part of the arrangement but does receive expense reimbursement.

Professional Referee Organization LLC (PRO) was formed on April 27, 2012 and commenced operations in November 2012. PRO was formed for the purpose of administering a professional soccer referee program in the United States, and to improve the quality of professional refereeing in North America through training administered by the program. USSF is a member of the LLC agreement along with Major League Soccer, LLC ("MLS"). The agreement provides for an annual contributions based on a percentage of defined Shared Expenses, subject to a cap. The contribution requirement is determined on PRO's calendar-year basis based on budgeted amounts and USSF Board approval. During fiscal year ended March 31, 2017, the Federation's Board approved funding in the amount of \$1,300,000 to help fund the Video Assistant Referee ("VAR") program to support testing of the system by certain professional leagues starting in the 2017-2018 season. The Federation incurred approximately \$1,996,000 and \$2,598,000 of expenses related to PRO and VAR during the years ended March 31, 2019 and 2018, respectively, which are included in the Referee program expense on the consolidated statements of activities.

As described in Note 3, USSF is party to a marketing representation agreement with SUM. The CEO of SUM, and commissioner of MLS, is also a board member of USSF by virtue of being elected by the Pro Council of U.S. Soccer.

**NOTE 11 – FUNCTIONAL EXPENSES AND NATIONAL TEAMS**

The following table summarizes functional expenses for the years ended March 31:

	2019		2018	
	Programs	Management and General	Total	Total
Salaries and wages	\$ 25,261,537	\$ 6,709,723	\$ 31,971,260	\$ 31,131,377
Employee benefits	2,356,478	1,088,338	3,444,816	3,389,939
Payroll taxes	1,412,911	390,069	1,802,980	1,942,101
Professional services	19,374,487	4,217,174	23,591,661	14,546,769
Advertising and promotions	2,438,375	195,014	2,633,389	1,979,283
Office supplies	131,774	49,666	181,440	146,368
Occupancy	519,297	38,465	557,762	2,419,938
Information technology	141,569	2,920,334	3,061,903	770,590
Travel	31,128,984	1,185,151	32,314,135	32,041,877
Conferences, conventions, and meetings	4,043,299	91,375	4,134,674	1,873,837
Depreciation and amortization	264,177	1,357,984	1,622,161	1,602,593
Insurance	665,760	246,181	911,941	789,667
Equipment and maintenance	1,136,145	355,598	1,491,743	4,504,837
World Cup bid	3,385,411	-	3,385,411	3,593,106
Professional referee organization	1,995,634	-	1,995,634	2,597,614
Sponsorship	186,950	607,250	794,200	938,000
Other	11,951,698	5,957,765	17,909,463	4,924,301
	<u>\$ 106,394,486</u>	<u>\$ 25,410,087</u>	<u>\$ 131,804,573</u>	<u>\$ 109,192,197</u>

Certain expenses are attributable to one or more programs or supporting functions of USSF. Those expenses such as salaries and benefits are allocated based on employee hours and specific identification when possible.

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National Teams' expenses were as follows:

Year ended March 31,	2019	2018
Youth National Teams and Player Development	\$ 29,907,544	\$ 27,352,300
Men's Senior National Team	15,013,438	13,874,144
Women's Senior National Team	20,261,891	17,012,303
National Team Coaching - All	4,386,180	5,048,815
Opponent Team Appearances	5,506,724	875,624
Equipment and Supplies	3,531,250	3,412,546
Event Management	902,397	810,339
National Training Center	521,689	526,403
Paralympic National Team	1,210,686	1,183,212
National Women's Soccer League (Administration Expenses)	843,019	1,663,430
Futsal National Team	9,368	-
Beach Soccer National Team	529,002	134,622
	<b>\$ 82,623,188</b>	<b>\$ 71,893,738</b>

**NOTE 12 – EMPLOYEE BENEFITS**

USSF provides benefits under The U.S. Soccer Federation Option Plan (the Option Plan), effective January 1, 1999, which is designed to accumulate retirement funds for two past CEO/Secretarys General. The Option Plan allows the participant to defer up to 100% of his compensation for the right to buy a variety of mutual funds equal to the deferred compensation he would have otherwise received. The Option Plan is administered by USSF. The fair value of the underlying securities purchased to cover the options was \$2,190,914 and \$2,167,492 as of March 31, 2019 and 2018, respectively. The balance is reflected as an investment and a liability within the consolidated statements of financial position, and changes in fair value are recorded as investment income and expense. Until such time as the IRS regulations are amended or changed, no further options of this type will be granted.

USSF has a 401(k) defined-contribution plan (the Plan) that is available to eligible employees who meet the Plan's eligibility criteria, excluding employees covered by collective bargaining agreements or otherwise excluded by the terms of the Plan. The Plan permits Plan participants to defer a portion of their salary on a pre-tax basis to contribute to the Plan. The Federation makes discretionary matching contributions of 50% of up to 6% of eligible compensation, or a maximum of 3% of eligible compensation. In addition, the Federation makes a non-elective Safe Harbor contribution to all participant accounts of 3% of eligible compensation. Contributions by the Federation were \$694,922 and \$787,107 for the years ended March 31, 2019 and 2018, respectively.

**NOTE 13 - LABOR AGREEMENTS**

The players on the senior Men's and Women's Senior National Teams are each covered by separate collective bargaining agreements (CBA). The Men's National Team CBA expired on December 31, 2018 and USSF is in the process of negotiating a successor CBA with the U.S. National Team Players Association, the union representing the USMNT bargaining unit. . The Women's Senior National Team CBA expires on December 31, 2021. Under the U.S. Women's Senior National Team CBA, USSF has agreed, in addition to other compensation provided in the CBA, to pay compensation directly to a minimum of 22 players per NWSL season. Player compensation was \$1,405,252 and \$1,625,972 for the years ended March 31, 2019 and 2018, respectively.

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**NOTE 14 - SUBSEQUENT EVENTS**

The Federation evaluated its March 31, 2019 consolidated financial statements for subsequent events through December 11, 2019, the date the consolidated financial statements were available to be issued. No subsequent events have occurred that would require recognition or disclosure in these consolidated financial statements.