

United States Soccer Federation, Inc.

**Financial Statements for the
Years Ended March 31, 2009 and 2008**



Blackman Kallick, LLP
10 South Riverside Plaza
9th Floor
Chicago, IL 60606

United States Soccer Federation, Inc.

Financial Statements

Years Ended March 31, 2009 and 2008

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Blackman Kallick, LLP
10 South Riverside Plaza
9th Floor
Chicago, IL 60606

Phone 312-207-1040
Fax 312-207-1066

Report of Independent Auditors

The National Board of Directors
United States Soccer Federation, Inc.
Chicago, Illinois

We have audited the accompanying statements of financial position of **United States Soccer Federation, Inc.** (the Federation) as of March 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Federation's management. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **United States Soccer Federation, Inc.** as of March 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Blackman Kallick, LLP

November 13, 2009

United States Soccer Federation, Inc.

Statements of Financial Position

	March 31	
	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,211,053	\$ 2,182,695
Cash held in escrow	937,032	1,078,881
Accounts receivable, net of allowances for doubtful accounts of \$30,000 in 2009 and 2008	3,715,345	3,281,935
Temporarily restricted contributions receivable	—	5,500,000
Prepaid expenses and advances	582,903	790,013
Short-term investments	14,489,446	17,642,148
	<u>23,935,779</u>	<u>30,475,672</u>
Total current assets		
Long-term prepaid expenses	4,082,529	3,281,894
Investments		
Undesignated	33,339,323	37,091,560
Designated	845,829	1,232,212
Property and equipment, net of accumulated depreciation and amortization	4,992,244	5,326,505
	<u>43,259,925</u>	<u>46,932,171</u>
Total noncurrent assets		
Total assets	<u>\$ 67,195,704</u>	<u>\$ 77,407,843</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,967,760	\$ 8,386,638
Deferred revenue:		
Sponsorship	2,875,000	2,875,000
Referee registration	1,303,463	621,505
Other	562,688	363,202
	<u>11,708,911</u>	<u>12,246,345</u>
Total current liabilities		
Long-term deferred revenue - Sponsorship	3,562,500	4,312,500
Deferred compensation	845,829	1,232,212
	<u>4,408,329</u>	<u>5,544,712</u>
Total noncurrent liabilities		
Total liabilities	<u>16,117,240</u>	<u>17,791,057</u>
Net assets:		
Unrestricted:		
Undesignated	43,880,618	46,842,508
Designated - Player development	7,197,846	7,274,278
	<u>51,078,464</u>	<u>54,116,786</u>
Temporarily restricted assets	—	5,500,000
Total net assets	<u>51,078,464</u>	<u>59,616,786</u>
Total liabilities and net assets	<u>\$ 67,195,704</u>	<u>\$ 77,407,843</u>

The accompanying notes are an integral part of the financial statements.

United States Soccer Federation, Inc.

Statements of Activities

	Years Ended March 31	
	2009	2008
Changes in unrestricted net assets		
Revenues:		
Registration and affiliation fees:		
Youth	\$ 4,088,693	\$ 4,098,953
Adult	537,872	510,982
Professional	773,506	690,149
Referee	1,995,453	1,977,566
Coaches	267,090	206,404
	<u>7,662,614</u>	<u>7,484,054</u>
Annual general meeting	975	60,425
Sponsorship, television, licensing, and royalties	16,781,720	15,912,371
International game revenues	2,926,525	1,704,089
Olympic Committee funding	898,125	1,165,000
Coaching school courses	865,878	859,836
Investment revenues (including net unrealized losses of \$4,946,777 and \$950,136 in 2009 and 2008, respectively)	(3,761,869)	2,101,404
National Teams' game revenues	12,792,959	12,584,118
World Cup (2008 WWC)	—	738,689
Olympic Qualifying Tournament	—	2,618,578
Open Cup	351,981	300,252
In-kind contribution - Capital improvements	—	547,938
Other	1,464,377	1,375,116
	<u>39,983,285</u>	<u>47,451,870</u>
Expenses:		
Management expenses	6,260,605	6,034,888
National Board of Directors' and committees' expenses	221,373	186,904
Annual general meeting expenses	228,722	301,408
Coaching program	1,774,155	1,812,436
Referee program	2,591,632	2,203,083
National Teams	37,021,372	29,203,056
World Cup (2008 WWC)	—	1,568,412
Olympic Qualifying Tournament	—	1,682,436
Open Cup	423,748	408,892
Other	—	673,192
	<u>48,521,607</u>	<u>44,074,707</u>
(Decrease) increase in unrestricted net assets	(8,538,322)	3,377,163
Changes in temporarily restricted net assets		
Increase in temporarily restricted net assets — contribution from foundation for player development	<u>—</u>	<u>108,031</u>
(Decrease) increase in net assets	(8,538,322)	3,485,194
Net assets at beginning of year	<u>59,616,786</u>	<u>56,131,592</u>
Net assets at end of year	<u>\$ 51,078,464</u>	<u>\$ 59,616,786</u>

The accompanying notes are an integral part of the financial statements.

United States Soccer Federation, Inc.

Statements of Cash Flows

	Years Ended March 31	
	2009	2008
Operating activities		
(Decrease) increase in net assets	\$ (8,538,322)	\$ 3,485,194
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	393,695	387,824
Realized losses (gains) on investments	140,837	(907,565)
Unrealized losses on investments	4,946,777	950,136
In-kind contribution - Capital improvements	—	(547,938)
Change in operating assets and liabilities:		
Cash held in escrow	141,849	147,846
Accounts receivable	(433,410)	(240,869)
Temporarily restricted contribution receivable	5,500,000	(108,031)
Prepaid expenses and advances	(593,525)	(915,319)
Accounts payable and accrued expenses	(1,418,878)	684,379
Deferred revenue	131,444	(832,791)
Deferred compensation	(386,383)	25,054
Net cash (used in) provided by operating activities	(115,916)	2,127,920
Investing activities		
Purchases of investments	(6,296,292)	(7,004,806)
Proceeds from sales of investments	8,500,000	6,800,150
Purchases of property and equipment	(59,434)	(614,354)
Net cash provided by (used in) investing activities	2,144,274	(819,010)
Net increase in cash and cash equivalents	2,028,358	1,308,910
Cash and cash equivalents at beginning of year	2,182,695	873,785
Cash and cash equivalents at end of year	<u>\$ 4,211,053</u>	<u>\$ 2,182,695</u>

The accompanying notes are an integral part of the financial statements.

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

1. Nature of Operations

Organization

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

The Federation is affiliated with the Federation 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 organizing the game of soccer throughout the world.

The Federation is recognized as the National Governing Body of Soccer in the United States of America by FIFA and the United States Olympic Committee (USOC), as provided by the Ted Stevens Olympic and Amateur Sports Act.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Basis of Presentation

These financial statements report amounts separately by class of net assets. The separate classes of assets are defined as unrestricted net assets and temporarily restricted net assets. Unrestricted net assets include all resources that are not subject to donor-imposed restrictions. Donor restricted contributions are classified as unrestricted support in the reporting period they are utilized. Unrestricted net assets also include board-designated funds. Temporarily restricted net assets are subject to donor-imposed stipulations that are satisfied by actions of the Federation or the passage of time. The temporarily restricted assets reported on these financial statements relate to one grant from the U.S. Soccer Foundation restricted for player development.

Cash Equivalents

Cash equivalents include short-term investments with original maturities of three months or less. The Federation maintains its cash in bank deposit accounts at Bank of America, JPMorgan Chase Bank and Harris Bank, which at times may exceed federally insured limits. The Federation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

2. Summary of Significant Accounting Policies (Continued)

Cash Held in Escrow

The Federation receives cash deposits (escrow funds) from the organizers of impending international games. After the international games to which the deposits relate are played and game reports filed, the Federation distributes the deposits plus other fees received to the appropriate recipients. These funds are distributed based on a predetermined percentage of the total ticket sales for each respective international game. One of the principal recipients of such distributions is the Federation.

Accounts Receivable

Accounts receivable are comprised primarily of Men's and Women's National Teams game revenue, player registration fees, referee expense reimbursements and contractual marketing revenue. The Federation 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.

Fair Value Measurements

Effective April 1, 2008, the Federation partially adopted Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements" (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 does not require any new fair value measurements but may require some entities to change their measurement practices.

In February 2008, the Financial Accounting Standards Board (FASB) deferred the effective date of FAS 157 for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Federation will complete its adoption of FAS 157 for these assets and liabilities in fiscal year 2010.

The Federation's partial adoption of FAS 157 in fiscal year 2009 did not have a significant effect on the Federation's financial position or results of operations.

Investments

Investments are comprised of money market funds, common and preferred stocks, mutual funds, corporate bonds, U.S. Treasuries, mortgage-backed securities and an alternative investment in the United States Olympic Foundation's (USOF) investment portfolio where the underlying securities are comprised of cash, common stocks, corporate bonds, options, warrants, derivatives, hedge funds and limited partnerships. Unrealized gains and losses are reflected in investment revenues in the statements of activities.

The Federation'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 financial statements.

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment, including leasehold improvements, are recorded at cost for assets purchased and at fair value on the date of receipt for assets received as donations, net of accumulated depreciation and amortization. Depreciation and amortization is provided on a straight-line basis over estimated useful lives of three to five years for furniture, equipment and vehicles, 20 years for building and building improvements and the shorter of the useful life or the lease term for leasehold improvements.

Revenue Recognition

Registration and affiliation fees

All member organizations of the Federation who register players are required to pay a player registration fee, which is determined by whether a player is registered as a youth or adult player. Fees paid to the Federation are \$1.00 for each youth player registered and \$2.00 for each adult player registered. The revenue for these fees is recognized when collected. Referee registration fees are recognized over the applicable term, which is the calendar year. Professional teams' fees are recognized over the seasons to which the fees relate.

Coaching school courses

Coaching school fees are recognized in the period in which the school session is held.

Olympic Committee funding

The USOC provides grants to the Federation to support its mission as the national governing body of soccer in the United States. Funding from the USOC is recognized in equal monthly amounts over the fiscal year.

National and international games

National team and international games revenue is recognized in the period in which the games are played.

Sponsorship, television, licensing and royalties

The Federation has two major agreements relating to its marketing rights: a marketing representation agreement with Soccer United Marketing (SUM) and a sponsorship and license agreement with Nike. Revenue from these agreements is recognized as earned, according to the terms of the agreements. (See Note 2.)

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

3. Sponsorship Agreements

Soccer United Marketing

In January 2004, the Federation entered into a marketing representation agreement with SUM with a term ending in December 2010. In October 2007, the term of this agreement was extended through December 31, 2014. In accordance with this agreement, the Federation receives annual compensation in the form of cash that is recognized evenly over the calendar year to which the compensation relates. Most sponsorship, television, licensing and royalty revenues (excluding Nike) are paid to SUM. After certain revenue limits are reached, additional funding above the annual guarantee can be realized based on a revenue sharing arrangement with SUM. Revenue under the agreement totaled \$5,910,621 and \$5,129,214 for the years ended March 31, 2009 and 2008, respectively. This includes \$1,785,621 and \$1,129,214 of revenue sharing for the respective year ends.

Nike

In October 1997, the Federation entered into a sponsorship and license agreement with Nike with a term of 10 years. This agreement was amended effective January 2004 with a revised termination date of December 31, 2014. In accordance with the agreement, the Federation receives annual compensation in the form of cash that is recognized evenly over the calendar year to which the compensation relates, and performance bonus payments that are recognized when earned. The agreement also calls for Nike to provide the Federation with equipment annually, which is recognized as revenue and an offsetting expense when the equipment is received and put into use by the Federation. In addition, the agreement calls for the Federation to receive a commitment bonus that is designated for specific programs. The commitment bonus is due to the Federation in specified amounts during the term of the agreement. In fiscal year 2007 (January 2007), a commitment bonus of \$6,000,000 was received and is being recognized evenly over term of the agreement. Revenue under the agreement totaled \$10,922,935 for the year ended March 31, 2009, which includes \$750,000 of commitment bonus and \$1,672,935 of equipment. For the year ended March 31, 2008, revenue under the agreement totaled \$11,098,025, which includes \$750,000 of commitment bonus and \$1,848,025 of equipment.

4. Fair Value Measurements

FAS 157 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 as of the measurement date. FAS 157 describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuation techniques. The standard does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Financial assets and liabilities carried at fair value are classified in one of the following three categories based on the inputs to the valuation technique used:

- Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

4. Fair Value Measurements (Continued)

- Level 3 - Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following table sets forth by level, within the fair value hierarchy, the Federation's financial assets that were accounted for at fair value on a recurring basis as of March 31, 2009. As required by FAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Federation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

Description	Fair Values as of March 31, 2009	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Money market funds	\$ 16,867,631	\$ 16,867,631	\$ -	\$ -
Common and preferred stocks	4,412,347	4,412,347	-	-
Mutual funds	845,829	845,829	-	-
Corporate bonds	3,014,714	3,014,714	-	-
U.S. Treasuries	6,847,853	6,847,853	-	-
Mortgage-backed securities	13,901,464	-	13,901,464	-
Alternative investments	2,784,760	-	2,240,598	544,162
	<u>\$ 48,674,598</u>	<u>\$ 31,988,374</u>	<u>\$ 16,142,062</u>	<u>\$ 544,162</u>

Level 1 Inputs

Fair values for the Federation's money market funds, common and preferred stocks, mutual funds, corporate bonds and U.S. Treasuries were based on quoted market prices.

Level 2 Inputs

Estimated fair values of mortgage-backed securities are derived from readily available pricing sources and third-party pricing services for identical or comparable instruments, respectively. The portion of the alternative investment classified as Level 2 consists of underlying securities whose fair values were based on quoted market prices. However, given that the Federation's investment is in the fund and not directly in the underlying securities, these alternative investments are classified as Level 2.

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

4. Fair Value Measurements (Continued)

Level 3 Inputs

The portion of the alternative investment classified as Level 3 consists of the following underlying securities: options, warrants, derivatives, hedge funds and limited partnerships. Estimated fair values of these underlying securities are based on estimates by the respective fund managers using various models, comparisons and assumptions. Consideration is given to several factors, including the type of investment, risks, marketability, restrictions on disposition, quotations from other market participants and values of similar investments.

The portion of the alternative investment classified as Level 3 includes investments which cannot be redeemed for periods ranging from 45 days to three years. In addition, there are two investments in which liquidation will occur with the planned termination of the partnerships, which is expected in 2018. In determining the fair value of these investments, the respective fund managers considered a lack of marketability discount, which the Federation determined to be immaterial to the financial statements taken as a whole as of March 31, 2009.

The following table presents a reconciliation of the beginning and ending balances recorded for instruments classified as Level 3 in the fair value hierarchy.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Assets:	
Beginning balance, March 31, 2008	\$ 719,196
Total gains or losses (realized and unrealized) included in change in net assets	(175,034)
Ending balance, March 31, 2009	<u>\$ 544,162</u>
The amount of total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to assets still held as of the reporting date	<u>\$ (175,034)</u>

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

5. Investments

Investments, at market value, are comprised of the following:

	March 31	
	2009	2008
Money market funds	\$ 16,867,631	\$ 19,747,264
Common and preferred stocks	4,412,347	10,658,130
Mutual funds	845,829	1,232,212
Corporate bonds	3,014,714	3,375,886
U.S. Treasuries	6,847,853	8,090,893
Mortgage-backed securities	13,901,464	11,517,832
REITs	-	204,201
Alternative investments	2,784,760	1,139,502
	<u>\$ 48,674,598</u>	<u>\$ 55,965,920</u>

Investment revenues consist of the following:

	March 31	
	2009	2008
Investment income, dividends and interest	\$ 1,325,745	\$ 2,143,975
Net realized (losses) gains	(140,837)	907,565
Net unrealized losses	(4,946,777)	(950,136)
	<u>\$ (3,761,869)</u>	<u>\$ 2,101,404</u>

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

6. Property and Equipment

A summary of property and equipment follows:

	March 31	
	2009	2008
Building	\$ 417,759	\$ 417,759
Building improvements	112,262	102,211
Furniture and equipment	1,695,066	1,650,659
Vehicles	44,000	44,000
Leasehold improvement	5,922,145	5,917,169
	<u>8,191,232</u>	<u>8,131,798</u>
Less accumulated depreciation	<u>3,198,988</u>	<u>2,805,293</u>
	<u>\$ 4,992,244</u>	<u>\$ 5,326,505</u>

7. Income Taxes

The Federation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code 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. The Federation had no income from unrelated activities and has no income taxes due as of March 31, 2009.

8. Commitments and Contingencies

From time to time, the Federation is involved in litigation that arises in the ordinary conduct of its business. The Federation believes that any such litigation does not have a material adverse impact on its financial position or results of operations as of March 31, 2009 and 2008, or for the fiscal years then ended.

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

8. Commitments and Contingencies (Continued)

Employment Agreements

On December 14, 2006, the Federation entered into a new employment agreement with the Men's National Team's interim Head Coach. This agreement was amended on May 17, 2007, making him the Head Coach of the Men's National Team. The term of this agreement is December 15, 2006 through December 31, 2010. This agreement provides for base compensation of \$33,333 per month from January 1, 2008 through December 31, 2008; \$37,500 per month from January 1, 2009 through December 31, 2009; and \$41,667 per month from January 1, 2010 through December 31, 2010. The agreement further provides for various incentive compensation based on the performance of the National Team. No incentive compensation was earned in fiscal year 2009; \$50,000 was earned during fiscal year 2008. In the case of termination without cause, base compensation is guaranteed through the end of the term. The Federation shall also pay the Head Coach a marketing guarantee of \$100,000 per each year of the term.

On January 3, 2007, the Federation entered into a new employment agreement with the assistant coach of the United States Olympic Team as well as the interim first assistant coach to the Men's National Team. On May 17, 2007, the Federation exercised its option naming the employee as first assistant coach to the Men's National Team. The term of this agreement was January 1, 2007 through December 31, 2009. This agreement provided for base compensation of \$13,000 per month through December 31, 2008 and \$13,333 per month through the remainder of the term. However, the contract was terminated by mutual consent on May 31, 2009.

On November 13, 2007, the Federation entered into an employment agreement with the Women's National Team Head Coach. The term of this agreement is December 1, 2007 through November 30, 2012. This agreement provides for base compensation of \$12,500 per month through November 30, 2008, \$13,333 per month from December 1, 2008 through November 30, 2009, \$14,167 per month from December 1, 2009 through November 30, 2010, \$15,000 per month from December 1, 2010 through November 30, 2011, and \$15,833 per month from December 1, 2011 through November 30, 2012. Incentive compensation of \$80,000 was earned in fiscal year 2009. No incentive compensation was earned during fiscal year 2008. The agreement further provides for various incentive compensation based on the performance of the Women's National Team in the 2011 World Cup and the 2012 Olympics. In case of termination without cause, the Federation is obligated to pay employee a one time payment of \$50,000.

On June 15, 2001, an employment agreement was entered into by the CEO/Secretary General, effective July 1, 2001 through June 30, 2005. This agreement was renewed in March 2004, extending the term through June 30, 2011. The agreement provides for base compensation of \$30,000 per month through June 30, 2008; \$31,250 per month from July 1, 2008 through June 30, 2009; \$32,500 per month from July 1, 2009 through June 30, 2010; and \$33,750 per month from July 1, 2010 through June 30, 2011. The agreement also provides for annual incentive bonuses if certain benchmarks are met as determined by the Federation's President and Board of Directors, and guarantees full payment of a maximum of one year's base compensation in the event of termination without cause by the Federation. In addition, the contract provides that an additional quarterly payment of 22.5% of base salary be paid in place of making contributions to a deferred compensation plan.

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

8. Commitments and Contingencies

Employment Agreements (Continued)

The Federation established the U.S. Soccer Federation Option Plan (the Plan), effective January 1, 1999, which covers the CEO/Secretary General as designated by the Board of Directors. The Plan is designed to accumulate retirement funds for the CEO/Secretary General. The Plan allows the participant to defer up to 100% of his deferred compensation (22.5% of base salary) for the right to buy a variety of mutual funds at a discount equal to the deferred compensation he would have otherwise received. The Plan is administered by the Federation. The deferred compensation liability and fair value of the underlying securities purchased to cover the options was \$845,829 and \$1,232,212 as of March 31, 2009 and 2008, respectively. The fair values of the underlying securities are included in the Federation's investments.

Sponsorship

The Federation has negotiated sponsorship contracts and training facility agreements with various entities pursuant to which such entities provide cash, equipment and/or practice facilities for national teams and other activities over agreed-upon periods. The Federation is required to fulfill various obligations for the benefit of its sponsors and other entities under the sponsorship contracts. These obligations are recognized in the Federation's financial statements as they are incurred.

Anschutz Southern California Sports Complex

The Federation has entered into a long-term agreement with Anschutz Southern California Sports Complex for the building of the National Training Center. The agreement consists of a building lease with an annual lodging guarantee. It became effective February 20, 2002, and will continue for 25 years from that date. Improvements paid for by the Federation total \$5,250,000 and were paid in four equal installments of \$1.2 million plus a final payment of \$450,000. The final payment was reduced from \$1.2 million based on the value of capital improvements secured by the Federation from other sources totaling \$547,938, together with a reduction of \$202,062 due to the facts that the goalie pit was never constructed and the lodging component of the agreement is not available. The Federation payments plus the capital improvements from other sources have all been capitalized as leasehold improvements, which will be amortized over the shorter of the useful life of the improvement or the life of the lease.

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

8. Commitments and Contingencies (continued)

Frisco Stadium, LP

The Federation has 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 Federation national teams and other organizational members. It became effective October 16, 2006 and shall continue through December 31, 2025. The Federation will be making four payments to FSLP to offset construction costs totaling \$5,000,000. Payments of \$2,500,000, \$1,000,000 and \$1,000,000 were made on October 31, 2006, 2007 and 2008. A final payment of \$500,000 is due on October 31, 2009. This agreement is being treated as an exchange transaction with the payments being expensed over the lease term.

Leases

Future minimum lease payments under leases with terms in excess of one year are as follows as of March 31, 2009:

2010	\$ 327,316
2011	317,999
2012	284,889
2013	262,648
2014	254,148
2015 and thereafter	<u>3,229,166</u>
	<u>\$ 4,676,166</u>

Rental expense was \$280,105 and \$303,135 for the years ended March 31, 2009 and 2008, respectively.

9. Related Parties

The U.S. Soccer Foundation (the Soccer 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 designed for long-term growth of the game in support of the Federation's vision to make soccer a preeminent sport recognized for excellence in participation, spectator appeal, international competition and gender equity. The Federation and the Soccer Foundation share five board members.

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

9. Related Parties (Continued)

The National Soccer Hall of Fame at Oneonta, New York, Inc. (the Hall of Fame) operates the national soccer museum, maintains the historical archives of American soccer, promotes soccer through educational programs and newsletters and provides facilities for soccer events. The Hall of Fame is an organization exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Code. The Federation and the Hall of Fame share four board members.

The USA Bid Committee, Inc. was organized on January 7, 2009 to promote the sport of soccer within the United States and to explore the possibility of organizing a bid to host a future Fédération Internationale de Football Association (FIFA) Men's World Cup within the United States. The USA Bid Committee, Inc. is an organization exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Code. The Federation and the USA Bid Committee share four board members.

10. Contributions Receivable

On October 14, 2000, the Soccer Foundation's board of directors approved a grant of \$6 million, restricted for the purpose of player development. As of March 31, 2009 the Federation received all of these funds

Unconditional promises to give that are expected to be collected within one year are recorded at fair value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

United States Soccer Federation, Inc.

Notes to Financial Statements

Years Ended March 31, 2009 and 2008

11. National Teams

National Teams' expenses are as follows:

	March 31	
	2009	2008
Management	\$ 827,674	\$ 862,165
Coaching	1,688,496	1,507,173
Youth	12,685,954	8,920,764
Women's National Team	8,592,601	6,239,160
Men's National Team	10,119,779	8,299,107
Olympic Team/Under 23	480,992	581,770
Futsal	352,498	144,636
Beach Soccer	50,028	70,956
Paralympic National Team	73,230	196,932
National Training Center	477,185	532,368
Equipment and supplies	<u>1,672,935</u>	<u>1,848,025</u>
	37,021,372	29,203,056
World Cup (2008 WWC)	-	1,568,412
Olympic Qualifying Tournament	-	1,682,436
	<u>\$ 37,021,372</u>	<u>\$ 32,453,904</u>

12. Defined-Contribution Plan

The Federation has a 401(k) defined-contribution plan that is available to all full-time employees who have met certain length-of-service requirements. The plan provides for deferred salary contributions by the plan participants and discretionary matching contributions by the Federation up to a maximum of 2% of eligible compensation. The matching contribution has not been provided in the past nine years. In addition, the Federation makes a Safe Harbor contribution of 3% of eligible compensation. Contributions by the Federation were \$155,368 and \$155,304 for the years ended March 31, 2009 and 2008, respectively.