



Audit and Risk Committee

State of the Union Report (Bylaws Section 15.8.a)

1.01.2025

Section 15.8.a of the Amended and Restated Bylaws of the United States of America Rugby Football Union, Ltd. d/b/a USA Rugby (the “Corporation”), effective December 12, 2024, requires that the Audit and Risk Committee annually prepare and submit a State of the Union Report to the Board of Directors and the Councils. This Report covers the period from January 1, 2024 through December 31, 2024.

Consistent with the directives in Section 15.8.b of the Bylaws, during 2024 the Corporation segregated all of its national high performance revenue and expenses in accounts separate from those used for funding National Office services for the communities with dues revenues. The Committee and the Board receive at least bi-monthly cash flow and/or accrual accounting reports with regard to the National Office and each of the National High Performance Teams and departments, identifying revenues and expenses against budget, as well as actual and projected cash flows. The Chair of the Committee has access to all Corporation accounts, including those of the National Office, to ensure the integrity of the reports received by Committee.

At year-end 2024, each of the National Office, National High Performance Teams and Departments had performed positively to their respective budgets for the year. There was a significant increase in net assets and cash balances for the National Office and each of the HP teams at the end of the year as a result of increased revenues from the commercial arrangement with World Rugby, increased World Rugby funding, and notably improved expense management. The budgeting and expense process was enhanced by a new HP schedule, which schedules should further improve planning and budget forecasting in future years.

Total revenue was \$16.3 million against expenses of \$15.4 million. The increase in net assets was in lieu of an originally-projected break-even budget, and was almost equally split between High Performance and the National Office. In general, revenue was \$167,000 ahead of budget and expenses were \$711,000 lower than budget. The positive variance to budget for High Performance was primarily due to net payroll/contractor savings from lower than budgeted bonuses to our Sevens teams. The positive variance for the National Office was primarily due to net payroll savings (primarily due to unfilled positions), a New Zealand – Fiji sanction fee, and significant interest income, some of which was offset by higher insurance costs.

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Notably, there was a \$2 million positive cash flow in 2024, again nearly evenly split between High Performance and the National Office, which will be helpful in increasing reserves for anticipated loan repayment requirements in 2025. USA Rugby ended 2024 with cash balances well in excess of \$4 million.

The success of our National Teams, particularly our Women's Sevens Olympics Bronze Medal, has raised the profile of the sport in the United States, resulting in increased participation at the Youth and High School level, as well as some notable increases in philanthropy.

The National High Performance Teams are highly dependent on funding from World Rugby (15s & 7s) and the USOPC (7s), as well as philanthropy, as there are limited material commercial partnerships and sponsorships in place at this time beyond the commercial rights arrangement with World Rugby. This remains a significant risk factor for our High Performance programs in 2025, particularly as some cuts in World Rugby and USOPC funding are expected. On an overall level, inflation and insurance increases are significant risk factors going forward.

The Committee received and approved a clean audit report for fiscal year 2023. No management or other issues were noted in the audit report. Due to the stability of the Corporation accounts, the Corporation successfully reverted to accrual accounting formats in 2024.

Notably, USA Rugby properly completed all of the requests and requirements of the USOPC and Safesport in order to receive its four-year certifications, without condition. Included in that process was the adoption of Amended and Restated By-Laws as of December 12, 2024. While the Amended and Restated By-Laws added a Board position, which is expected to be filled in early 2025, the super-majority voting rights of the three community groups was maintained.

Section 15.8.c of the Bylaws require that all budgets for the Corporation be submitted to the Committee for review and comment. An initial budget was presented to the Committee in late September of 2024, and various versions of the budgets have subsequently been presented to the Committee, the final version in early December of 2024. The Board approved the 2025 budget at its December meeting, and the budget currently contemplates approximately \$17 million in revenue and expense for 2025. It is likely that due to an evolving High Performance schedule for 2025 and funding arrangements with World Rugby, the High Performance budget may need adjustment in the first half of 2025 and will be reviewed by the Committee in that event.

During 2022, the Corporation was provisionally awarded hosting rights to the 2031 Men's World Cup and the 2033 Women's World Cup, which will be in the form of a joint venture with World Rugby so as to minimize any financial exposure to the Corporation. The Corporation expects to negotiate the terms of the long form joint venture agreement in 2025. If successful, the hosting of the World Cup events is expected to create significant legacy funding opportunities in the near and long-term for USA Rugby. The Committee continues to monitor the status of the agreement and World Cup organizing committee and such remains a risk factor for the Corporation.





During 2024, a lawsuit was filed against the Corporation by a referee in Texas who contends he was improperly denied certain advanced refereeing opportunities. A Motion to Dismiss that lawsuit is currently pending and it is not expected to have an impact on the Corporation's operations. The Committee also continues to monitor several outstanding contracts to the extent they create any financial risk to the Corporation.

The Committee will continue to hold monthly meetings in 2025 and provide minutes thereof to the Board of Directors.

Respectfully submitted,

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