

**UNITED STATES OF AMERICA RUGBY
FOOTBALL UNION, LTD. AND SUBSIDIARIES**

**Consolidated Financial Statements
& Supplemental Schedules**

For the Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United States of America Rugby Football Union, Ltd.
and Subsidiaries
Glendale, Colorado

Opinion

We have audited the accompanying consolidated financial statements of United States of America Rugby Football Union, Ltd. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United States of America Rugby Football Union, Ltd. and Subsidiaries as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United States of America Rugby Football Union, Ltd. and Subsidiaries, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United States of America Rugby Football Union, Ltd. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 United States of America Rugby Football Union, Ltd. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United States of America Rugby Football Union, Ltd. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit

Report on Summarized Comparative Information

We have previously audited United States of America Rugby Football Union, Ltd. and Subsidiaries' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statements of financial position and statement of activity and changes in net assets are 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 audit 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.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
September 9, 2022

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.

AND SUBSIDIARIES

Consolidated Statement of Financial Position

December 31, 2021

(With Comparative Totals for December 31, 2020)

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,586,891	\$ 1,583,257
Accounts receivable, net	55,865	76,842
Due from affiliated organizations	7,749	152,101
Prepaid expenses	<u>319,510</u>	<u>70,005</u>
Total current assets	2,970,015	1,882,205
LONG-TERM INVESTMENTS	85	85
PROPERTY AND EQUIPMENT:		
Furniture and equipment	417,487	424,963
Software	48,291	48,291
Leasehold improvements	66,999	66,999
Less accumulated depreciation	<u>(513,799)</u>	<u>(495,628)</u>
Property and equipment - net	18,978	44,625
OTHER ASSET:		
Deposits	<u>12,547</u>	<u>5,300</u>
TOTAL ASSETS	<u>\$ 3,001,625</u>	<u>\$ 1,932,215</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 716,591	\$ 331,605
Accrued liabilities		3,944
Current portion of long-term debt	532,979	276,893
Deferred revenue (Note F)	<u>857,579</u>	<u>154,520</u>
Total current liabilities	2,107,149	766,962
LONG-TERM DEBT (Note H)	693,136	1,148,080
NET ASSETS:		
Without donor restrictions	201,340	(428,983)
Without donor restrictions - non-controlling interest in USA Rugby Partners (Note I)	<u></u>	<u>446,156</u>
Total net assets	<u>201,340</u>	<u>17,173</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,001,625</u>	<u>\$ 1,932,215</u>

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
AND SUBSIDIARIES
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021
(With Comparative Totals For the Year Ended December 31, 2020)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2021 Consolidated Totals	2020 Consolidated Totals
REVENUE:				
High performance grants	\$ 4,990,192	\$	\$ 4,990,192	\$ 1,722,114
Membership dues	1,873,983		1,873,983	3,043,601
Donations	1,279,526		1,279,526	1,480,415
Event revenue	1,142,453		1,142,453	101,704
Corporate sponsorship	445,000		445,000	1,300,500
Rugby development	294,619		294,619	117,844
Other income	218,193		218,193	169,326
Expense recovery and adjustment	64,848		64,848	57,937
Licensing	15,355		15,355	12,252
Merchandise sales	1,586		1,586	1,484
Investment income, net (Note D)	30		30	923
Cancellation of debt income				5,082,338
Total revenue	10,325,785		10,325,785	13,090,438
EXPENSES:				
Program services:				
Men's senior national team	3,411,855		3,411,855	1,280,484
Women's senior national team	2,010,717		2,010,717	1,123,005
Events	1,077,425		1,077,425	378,167
Membership	967,657		967,657	580,946
Rugby development	256,170		256,170	250,643
High performance	190,379		190,379	142,598
Total program services	7,914,203		7,914,203	3,755,843
Supporting services:				
National office	1,255,148		1,255,148	2,055,390
Media & marketing	802,658		802,658	578,137
Fundraising	169,609		169,609	177,969
Total supporting services	2,227,415		2,227,415	2,811,496
Total expenses	10,141,618		10,141,618	6,567,339
CONSOLIDATED CHANGE IN NET ASSETS	184,167		184,167	6,523,099
NET ASSETS, beginning of year	17,173		17,173	(6,505,926)
NET ASSETS, end of year	\$ 201,340	\$	\$ 201,340	\$ 17,173

See Notes to Consolidated Financial Statements

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
AND SUBSIDIARIES
Consolidated Statement of Functional Expenses - Program Services
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	Men's Senior National Team	Women's Senior National Team	Events	Membership	Rugby Development	High Performance	Total Program Services
Accounting fees	\$	\$	\$	\$	\$	\$	\$
Advertising & marketing	199		15,248				15,447
Apparel	30,925	7,574	41,000		84		79,583
Awards & gifts		1,094		258	227		1,579
Background checks	1,650	1,050		68,055			70,755
Bad debt							
Bank charges	1,769	1,049	80	734		60	3,692
Branding & signage			340				340
Catering	59,633	18,718	36,978		800		116,129
Clinic host reimbursements							
Contract labor	1,368,339	398,921	33,500	26,161	102,330	20,310	1,949,561
Database maintenance				110,000			110,000
Depreciation	350	226		16,667	1,019		18,262
Dues & subscriptions	3,468	3,071	310	13,587	15,000	549	35,985
Employee benefits	27,652	45,657	5,727	22,738		4,503	106,277
Facility & equipment rental	420,716	281,245	7,930			1,731	711,622
Grants	20,000	106					20,106
Hosting	747	746	18	80			1,591
Insurance	107,224	78,445		554,199		4,589	744,457
Interest expense							
Legal fees	11,360	8,246	153	1,043			20,802
Match fees	1,020	1,440			22,210		24,670
Medical fees	54,056	64,377	2,620		680	4,246	125,979
Miscellaneous	16,251	16,967	19,481		385	3,795	56,879
Payroll taxes	22,210	31,287	7,652	13,612		11,391	86,152
Player per diem	178,360	148,985	30,200				357,545
Postage	1,824	2,251	2,578	643	2,530	64	9,890
Printing	2,435	715	3,154		730	37	7,071
Rent							
RWC feasibility study			428,750				428,750
Software	25,083	6,776					31,859
Stadiums	3,121	46,263	1,573		395		51,352
Supplies					10,195		10,195
Travel, lodging, meals, & transportation	713,703	454,143	352,508	1,130	99,585	13,713	1,634,782
TV, video, & broadcasting			2,000				2,000
Utilities & telephone	4,780	8,609				686	14,075
Wages	334,980	382,756	85,625	138,750		124,705	1,066,816
Website							
Total expenses	\$ 3,411,855	\$ 2,010,717	\$ 1,077,425	\$ 967,657	\$ 256,170	\$ 190,379	\$ 7,914,203

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
AND SUBSIDIARIES
Consolidated Statement of Functional Expenses - Continued - Supporting Services
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	National Office	Media & Marketing	Fundraising	Total Supporting Services	2021 Total Expenses	2020 Total Expenses
Accounting fees	\$ 28,472	\$ 9,896	\$	\$ 38,368	\$ 38,368	\$ 36,231
Advertising & marketing		5,567	254	5,821	21,268	14,888
Apparel		167,632	461	168,093	247,676	731
Awards & gifts	1,435		1,673	3,108	4,687	17,801
Background checks					70,755	33,364
Bad debt						37,003
Bank charges	7,728	143	9	7,880	11,572	9,492
Branding & signage		7,172		7,172	7,512	
Catering	2,392		11,946	14,338	130,467	
Clinic host reimbursements						(20,590)
Contract labor	158,110	46,275	2,395	206,780	2,156,341	1,123,020
Database maintenance	2,591	147		2,738	112,738	34,346
Depreciation	7,148		236	7,384	25,646	37,865
Dues & subscriptions	11,283	23,710	2,521	37,514	73,499	240,558
Employee benefits	21,864	17,707	16,572	56,143	162,420	202,445
Facility & equipment rental					711,622	402,938
Grants			2,793	2,793	22,899	273,351
Hosting	57,376	811		58,187	59,778	12,821
Insurance	98,560			98,560	843,017	762,483
Interest expense	8,144			8,144	8,144	50,278
Legal fees	215,024	8,335		223,359	244,161	771,665
Match fees					24,670	(3,160)
Medical fees	692	228		920	126,899	24,181
Miscellaneous	220	1,690	96	2,006	58,885	20,050
Payroll taxes	38,365	26,130	9,992	74,487	160,639	151,180
Player per diem					357,545	39,854
Postage	492	24,670	1,552	26,714	36,604	19,212
Printing	238	4,935	315	5,488	12,559	1,635
Rent	62,289			62,289	62,289	77,146
RWC feasibility study					428,750	60,398
Software					31,859	
Stadiums		15,000		15,000	66,352	27,901
Supplies	996	1,236		2,232	12,427	737
Travel, lodging, meals, & transportation	28,744	30,782	3,094	62,620	1,697,402	198,754
TV, video, & broadcasting	350	96,024	700	97,074	99,074	5,468
Utilities & telephone	2,529	159		2,688	16,763	31,853
Wages	500,106	314,409	115,000	929,515	1,996,331	1,868,158
Website						3,282
Total expenses	<u>\$ 1,255,148</u>	<u>\$ 802,658</u>	<u>\$ 169,609</u>	<u>\$ 2,227,415</u>	<u>\$ 10,141,618</u>	<u>\$ 6,567,339</u>

See Notes to Consolidated Financial Statements

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
AND SUBSIDIARIES
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 184,167	\$ 6,523,099
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Cancellation of debt		(5,082,338)
Realized and unrealized losses on investments		827
Depreciation	25,646	37,865
Loss on abandonment of leaseholds		3,387
(Increase) decrease in operating assets:		
Accounts receivable, net	20,977	64,169
Due from affiliated organizations	144,352	(140,548)
Other receivables		125,819
Prepaid expenses	(249,505)	(36,482)
Deposits	(7,247)	14,028
Increase (decrease) in operating liabilities:		
Accounts payable	384,987	(329,409)
Due to affiliated organizations		(166,803)
Accrued liabilities	(3,944)	(128,023)
Deferred revenue	<u>703,059</u>	<u>(2,000,355)</u>
Total adjustments	<u>1,018,325</u>	<u>(7,637,863)</u>
Net cash provided (used) by operating activities	1,202,492	(1,114,764)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in investments, net		<u>272,746</u>
Net cash provided by investing activities		272,746
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt, net	(198,858)	925,020
Line of credit, net		<u>44,485</u>
Net cash provided (used) by financing activities	<u>(198,858)</u>	<u>969,505</u>
NET INCREASE IN CASH	1,003,634	127,487
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,583,257</u>	<u>1,455,770</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,586,891</u>	<u>\$ 1,583,257</u>

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2021

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

USA Rugby Football Union, Ltd. d/b/a USA Rugby and its subsidiaries are collectively referred to as the Organization.

USA Rugby Football Union, Ltd. d/b/a USA Rugby (a non-profit organization) is the national governing body for the sport of rugby and is responsible for the promotion and development of the sport in the United States and promotion of U.S. international participation. USA Rugby (the Corporation) is an official member of the United States Olympic & Paralympic Committee (USOPC) and World Rugby (WR). The Corporation is responsible for the development of the boys, girls, high school, collegiate, club athletic programs, and ultimately the ten national teams representing the U.S. in international competitions. USA Rugby's structure was changed in May 2020 with amendments to the bylaws. The current structure is four main Councils, State Governing Bodies, College Conferences, and Senior Club Rugby Unions. USA Rugby's national office was located in Lafayette, Colorado and moved to Glendale, Colorado during 2020.

USA Rugby Foundation (the Foundation) was formed in 2002, as a Pennsylvania non-profit corporation, and is a supporting organization for USA Rugby. The Foundation is organized as a membership organization with the sole member being USA Rugby. During 2018, the Board of Directors resigned and USA Rugby is primarily assuming the activity carried on by the Foundation. During 2021 the Foundation distributed all assets to USA Rugby.

USA Rugby Partners, LLC (a Delaware limited liability company) was formed in 2014 under the name Rugby International Marketing, LLC. The name changed early in 2019. USA Rugby Partners, LLC (USARP) is responsible for promoting the sport of rugby through alternative channels and international events. As of December 31, 2014, USARP was a single-member LLC, with the sole member being USA Rugby. However, in 2015, a non-controlling interest was acquired by an unrelated investor, Rugby Football Union USA, Inc. Additional non-controlling interests were acquired by other unrelated investors during the year ended December 31, 2016. USARP ceased operations and dissolved in 2021.

Notes to Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, net assets, and activities of the Corporation, the Foundation, and USARP, collectively referred to as the "Organization". All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements were prepared according to accounting principles generally accepted in the United States of America (US GAAP). The Organization has reported information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available for operations at management's discretion and net assets with donor restrictions, which represent resources restricted by donors as to purpose or by the passage of time and resources for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Organization's checking, money market, and savings accounts. The Organization maintains its cash and cash equivalents at commercial banks. In the unlikely event of a bank failure, the Organization could suffer a loss to the extent its deposits exceed the respective bank insurance limits.

Supplemental Cash Flow Disclosure

Cash flows from operating activities reflect interest paid of \$8,144 and \$50,278 and no income taxes paid for the years ended December 31, 2021 and 2020, respectively.

Accounts Receivable

Accounts receivable include amounts from contracts with customers and other miscellaneous amounts. Receivables from contracts with customers at the beginning and end of 2021 were \$76,842 and \$55,865.

Notes to Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable - continued

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that no allowance for doubtful accounts is necessary for the years ending December 31, 2021 and 2020.

Unrecorded conditional grants receivable were 25,000 British pounds as of December 31, 2021. The Corporation has grants from World Rugby that are for special purposes with specific qualification requirements.

Depreciation

Assets are recorded at cost and depreciated using the straight-line method over estimated useful lives of three to five years. Depreciation expense amounted to \$25,646 and \$37,865 for the years ended December 31, 2021 and 2020, respectively.

Use of Estimates in Preparation of Financial Statements

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, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The expenses are allocated based on internal records and estimates made by the Organizations' management.

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. However, restricted contributions are reported as an increase in net assets without donor restrictions if the restriction is satisfied in the same reporting period in which the support is recognized. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net

Notes to Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions - continued

assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as amounts released from restrictions.

Contributions include United States Olympic & Paralympic Committee (USOPC) and World Rugby (WR) grants.

Revenue from Contracts with Customers

Membership dues - Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing membership to its members. The Corporation's membership year is currently from September 1st to August 31st, the year may be reestablished by the Board of Directors from time to time. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership year. Membership dues are eligible for a refund if the request is within seven days of the initial transaction and the member has not played in any match, scrimmage, tournament, etc.

Corporate sponsorship - USARP and the Corporation recognize revenues from contracts with sponsors and suppliers. USARP and the Corporation have been granted the exclusive right and license to enter into sponsorship agreements with third parties involving certain sponsorship rights and benefits of the Corporation, and in connection with Corporation events. Performance obligations in such contracts are satisfied as services are rendered, and therefore, USARP and the Corporation will recognize revenue over the time of the contract. USARP and the Corporation have concluded that the performance obligations within these contracts are substantially the same in each year and are satisfied ratably over the term of respective agreements.

Event revenue - The Corporation receives revenue from sales related to various events and matches held for members. Each event has a specified registration fee, varying by type of participant. The revenue is recognized at the time of the event, which recognizes the completion of the Corporation's performance obligations. The Corporation also receives revenue for services performed related to securing, managing or hosting events. The revenue is recognized as services are performed, generally on a monthly basis.

Notes to Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Licensing - The Organization receives licensing and royalty payments for use of the Corporation name and logo. Until its dissolution, USARP had a master commercial license and received the licensing and royalty payments. Upon dissolution the master license was revoked and licensing and royalty payments go directly to the Corporation. These payments are recognized upon receipt as all performance obligations are met at that time.

Merchandise sales - The Corporation sells USA Rugby merchandise and apparel to members at events. Revenue is recognized as products are sold and provided to customers.

Donated Services

The Corporation receives a substantial amount of donated services in carrying out its programs. No amounts have been reflected in the consolidated financial statements for those services since they do not meet the criteria for recognition under generally accepted accounting principles.

Income Tax

The Corporation and Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, are not subject to federal income tax. Accordingly, no income tax provision has been recorded.

The Corporation's and Foundation's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by various taxing authorities, generally for three years after the date they were filed.

USA Rugby Partners, LLC is a limited liability company, taxed as a partnership under the provisions of the Internal Revenue Code. Under those provisions, the Company does not pay federal income taxes on its taxable income. Instead, the members are liable for federal income taxes on their respective shares of the Company's taxable income.

Management of the Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

Notes to Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prior-Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United State of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the information was derived.

Certain amounts have been reclassified to conform to the current year presentation.

Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 9, 2022, the date that the financial statements were available to be issued.

B. AVAILABLE RESOURCES AND LIQUIDITY

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

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,586,891	\$ 1,583,257
Accounts receivable, net	55,865	76,842
Due from affiliated organizations	7,749	152,101
Investments	<u>85</u>	<u>85</u>
Total financial assets available within one year	<u>\$ 2,650,590</u>	<u>\$ 1,812,285</u>

The Corporation's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for memberships which occur primarily between September and March (the membership year is September 1st through August 31st).

Notes to Consolidated Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

The Organization receives a majority of its support without donor restrictions. In addition, the Organization receives occasional contributions with donor restrictions to use in accordance with the associated purpose or time restrictions. Income from donor restricted contributions is restricted for specific purposes, and, therefore, is not available for general expenditure.

C. LONG-TERM INVESTMENTS

The Corporation maintains a brokerage account for investments. As of December 31, 2021 and 2020, the investment consisted solely of a money market account.

D. INVESTMENT INCOME (LOSS)

Investment income (loss) consists of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 30	\$ 1,915
Net realized & unrealized losses		(827)
Investment management fees		(165)
Income from investment activities	<u>\$ 30</u>	<u>\$ 923</u>

E. LINES OF CREDIT

During 2020, the Corporation filed a voluntary petition for relief under Chapter 11 of the Bankruptcy code (Note N). As part of this petition, the Corporation agreed to a payment schedule for the amount outstanding on the line of credit. No further amounts will be advanced on the line of credit.

F. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Membership revenue	<u>\$ 857,579</u>	<u>\$ 154,520</u>

The Corporation uses a membership year of September 1st to August 31st. At December 31, 2021 and 2020, eight months of membership revenue is deferred to the subsequent year, when applicable.

Notes to Consolidated Financial Statements

G. PAYROLL PROTECTION PROGRAM LOAN

In May 2020, the Corporation received a \$375,000 loan from JPMorgan Chase Bank, National Association through the first round of the Small Business Administration's Paycheck Protection Program. A portion or all of the loan may be forgiven by the Small Business Administration (SBA) if certain payroll criteria are met and funds are used for payroll, rent, mortgage interest, or utilities. Any portion of the loan that is not forgiven has a maturity of up to five years and an interest rate of 0.98%. The Corporation is currently working on an appeal to the SBA relating to the forgiveness of the loan. Loan deferment continues while the appeal is in judicial review.

H. LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2021:

Loan payable to World Rugby approved by the bankruptcy court as a debtor-in-possession loan. The loan is to be repaid in four equal installments, plus accrued interest. The original payment schedule began on January 1, 2021 with the final payment July 1, 2022. Due to the delay in return to play until the season beginning September 2021 the first payment is delayed until October 1, 2021 with the final payment December 31, 2022.	\$ 412,500
Line of credit outstanding balance due to JP Morgan Chase. The payment plan approved by the bankruptcy court is monthly payments of \$9,747 beginning June 2021 with the final payment September 2025.	438,615
Payroll Protection Plan loan due to JP Morgan Chase Bank. If the loan is not forgiven monthly payments are estimated at \$6,560 beginning November 2022 with the final payment in October 2027.	<u>375,000</u>
Total	1,226,115
Less current portion	<u>(532,979)</u>
	<u>\$ 693,136</u>

Notes to Consolidated Financial Statements

H. LONG-TERM DEBT - Continued

Future maturities of notes payables, for the years ending December 31, are as follows:

2022	\$ 532,979
2023	192,387
2024	193,129
2025	164,638
2026	77,672
Thereafter	65,310

I. CHANGES IN CONSOLIDATED NET ASSETS WITHOUT DONOR RESTRICTIONS ATTRIBUTABLE TO USARP AND SUBSIDIARIES

During the year ended December 31, 2015, an unrelated entity, Rugby Football Union USA, Inc., acquired a non-controlling interest in USARP for \$2,000,000, acquiring Class A Preferred Units. During the year ended December 31, 2016, seven unrelated entities and individuals acquired additional non-controlling interests in USARP for \$4,750,000, acquiring Class B Preferred Units. As of December 31, 2016, the Corporation controlled USARP through Class A Common Units and a majority representation on USARP's Board of Directors.

Of the \$4,750,000 in Class B Preferred Units issued during the year ended December 31, 2016, \$480,000 was in exchange for services to be rendered subsequent to year end.

	USARP Controlling <u>Interest</u>	USARP Non- controlling <u>Interest</u>
Balance at January 1, 2020	\$ (157,874)	\$ 457,108
Capital contributions		
Change in net assets	<u>(33,989)</u>	<u>(10,952)</u>
Balance at December 31, 2020	(191,863)	446,156
Capital contributions		
Change in net assets	(139,823)	(45,054)
Transfer pursuant to liquidation	<u>331,686</u>	<u>(401,102)</u>
Balance at December 31, 2021	<u>\$</u>	<u>\$</u>

Notes to Consolidated Financial Statements

J. AFFILIATED ORGANIZATIONS

The USOPC provides grants to the Corporation for sports development, international competition, and team preparation. Total grants from the USOPC for the years ended December 31, 2021 and 2020 consist of the following project categories:

	<u>2021</u>	<u>2020</u>
High performance grants	\$ 930,816	\$ 861,324
Other grants	<u>12,841</u>	<u> </u>
	<u>\$ 943,657</u>	<u>\$ 861,324</u>

The USOPC also provides direct athlete support, which is not recorded in the consolidated statement of activities.

World Rugby (WR) also provides grants to the Corporation for sports development, international competition, and team preparation. Total grants from WR for the years ended December 31, 2021 and 2020, consist of the following project categories:

	<u>2021</u>	<u>2020</u>
High performance and sport development grants	\$ 2,582,758	\$ 753,218
Other grants	892,466	107,572
Reimbursements	435,378	
Rugby world cup development	<u>135,933</u>	<u>41,424</u>
	<u>\$ 4,046,535</u>	<u>\$ 902,214</u>

K. PENSION PLAN

The Corporation adopted a 401(k) plan (the Plan) covering all employees who are at least 21 years old and who work at least 1,000 hours per year. Plan participants may make pre-tax deferrals subject to limitations imposed by the Internal Revenue Code. The Corporation matches a portion of the employee's deferral, subject to limits set by the Plan.

During the years ended December 31, 2021 and 2020, the Corporation made matching contributions to the Plan totaling \$8,488 and \$5,485, respectively.

L. OPERATING LEASE AGREEMENTS

In May 2020, the Corporation entered into a lease agreement for general office space located in Glendale Colorado. The lease commenced May 25, 2020, and the agreement ran through May 31, 2021. The lease required monthly payments of \$4,247.

Notes to Consolidated Financial Statements

L. OPERATING LEASE AGREEMENTS - Continued

In May 2020, the Corporation entered into a lease agreement for warehouse space located in Denver, Colorado. The lease commenced in June 2020 and the agreement runs through May 2022. The lease requires initial monthly payments of \$2,300 which increased 6% to \$2,438 in August 2021.

In June 2021, the Corporation entered into a lease agreement for general office space located in Glendale, Colorado. The lease commenced June 1, 2021, and the agreement runs through May 31, 2022. The lease requires monthly payments of \$4,908.

The future minimum lease payments based on lease subsequent to year-end for the years ended December 31, are as follows:

2022	\$ 36,730
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M. INTERCOMPANY TRANSACTIONS

The Corporation receives grants and occasionally transacts business with the Foundation, and USARP. Also, the Corporation occasionally receives contributions or other revenue intended for the Foundation or USARP, which are owed back to either the Foundation or USARP. These intercompany transactions and the amounts owed to/from the Organizations have been eliminated in the consolidated financial statements.

N. PLAN OF REORGANIZATION

The Corporation filed a petition for a plan of reorganization in bankruptcy court under Chapter 11 on March 31, 2020. The plan of reorganization resulted in discharge of debt of approximately \$5.1 million, including a World Rugby unsecured note of \$3.55 million during the year ended December 31, 2020.

The amount of debt discharged is recorded as cancellation of debt income on the statement of activities. The final plan was confirmed by the court on September 1, 2020.

O. CONTINGENCIES

Occasionally, in the conduct of business, the Organization may be named defendant in a lawsuit or other form of legal action. In the opinion of management, and pending or threatened litigation claims against the Organization, as of December 31, 2021, are either without merit or will not exceed insurance limits.

Notes to Consolidated Financial Statements

P. UNCERTAINTIES

The outbreak of a novel strain of coronavirus (the COVID-19 outbreak) has been recognized as a pandemic by the World Health Organization, and the COVID-19 outbreak has become increasingly widespread in the United States. The COVID-19 outbreak has had a notable impact on general economic conditions, including the uncertainty in global financial markets, temporary closures of many businesses, suspension or cancelation of events, "shelter in place" and other governmental regulations, and job losses. The extent to which the COVID-19 outbreak will affect the operations, collections or financial results of the Corporation is uncertain.

With the rising cost of inflation and potential recession, it is uncertain what affect these factors may have on operations of the Corporation in the coming year.

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
AND SUBSIDIARIES
Consolidating Statement of Financial Position
December 31, 2021

	<u>USA Rugby</u>	<u>USA Rugby Charitable Foundation</u>	<u>USA Rugby Partners</u>	<u>Eliminating Entries</u>	<u>2021 Consolidated Totals</u>
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 2,519,187	\$	\$ 67,704	\$	\$ 2,586,891
Accounts receivable, net	55,865				55,865
Due from related and affiliated parties, net	75,453			(67,704)	7,749
Prepaid expenses	<u>319,510</u>				<u>319,510</u>
Total current assets	2,970,015		67,704	(67,704)	2,970,015
LONG-TERM INVESTMENTS	85				85
PROPERTY AND EQUIPMENT:					
Furniture and equipment	417,487				417,487
Website	48,291				48,291
Software	66,999				66,999
Less accumulated depreciation	<u>(513,799)</u>				<u>(513,799)</u>
Property and equipment - net	18,978				18,978
OTHER ASSETS:					
Deposits	<u>12,547</u>				<u>12,547</u>
TOTAL ASSETS	<u>\$ 3,001,625</u>	<u>\$</u>	<u>\$ 67,704</u>	<u>\$ (67,704)</u>	<u>\$ 3,001,625</u>

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
AND SUBSIDIARIES
Consolidating Statement of Financial Position - Continued
December 31, 2021

	<u>USA Rugby</u>	<u>USA Rugby Charitable Foundation</u>	<u>USA Rugby Partners</u>	<u>Eliminating Entries</u>	<u>2021 Consolidated Totals</u>
<u>LIABILITIES, MEMBERS' EQUITY, AND NET ASSETS</u>					
CURRENT LIABILITIES:					
Accounts payable	\$ 716,591	\$	\$	\$	\$ 716,591
Due to related and affiliated parties, net			67,704	(67,704)	
Current portion of long-term debt	532,979				532,979
Deferred revenue	<u>857,579</u>				<u>857,579</u>
Total current liabilities	2,107,149		67,704	(67,704)	2,107,149
LONG-TERM DEBT	693,136				693,136
NET ASSETS:					
Without donor restrictions	201,340				201,340
With donor restrictions					
Total net assets	<u>201,340</u>				<u>201,340</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,001,625</u>	<u>\$</u>	<u>\$ 67,704</u>	<u>\$ (67,704)</u>	<u>\$ 3,001,625</u>

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
AND SUBSIDIARIES
Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	USA Rugby	USA Rugby Charitable Foundation	USA Rugby Partners	Eliminating Entries	2021 Consolidated Totals
REVENUE:					
High performance grants	4,990,192				4,990,192
Membership dues	1,873,983				1,873,983
Donations	1,284,877			(5,351)	1,279,526
Event revenue	1,142,453				1,142,453
Corporate sponsorship			445,000		445,000
Rugby development	294,619				294,619
Other income	218,193				218,193
Expense recovery and adjustment			64,848		64,848
Licensing	165,000		15,355	(165,000)	15,355
Merchandise sales, net of cost	1,586				1,586
Investment income, net (Note D)	26		4		30
Total revenue	9,970,929		525,207	(170,351)	10,325,785
EXPENSES:					
Program services:					
Men's senior national team	3,411,855				3,411,855
Women's senior national team	2,010,717				2,010,717
Events	1,023,063		54,362		1,077,425
Membership	967,657				967,657
Rugby development	256,170	5,351		(5,351)	256,170
High performance	190,379				190,379
Total program services	7,859,841	5,351	54,362	(5,351)	7,914,203
Supporting services:					
National office	1,255,148				1,255,148
Media & marketing	311,936		655,722	(165,000)	802,658
Fundraising	169,601	8			169,609
Total supporting services	1,736,685	8	655,722	(165,000)	2,227,415
Total expenses	9,596,526	5,359	710,084	(170,351)	10,141,618
CHANGE IN NET ASSETS	374,403	(5,359)	(184,877)		184,167
DISTRIBUTION UPON LIQUIDATION	69,416		(69,416)		
NET ASSETS AND MEMBERS' EQUITY, beginning of year	(242,479)	5,359	254,293		17,173
NET ASSETS AND MEMBERS' EQUITY, end of year	\$ 201,340	\$	\$	\$	\$ 201,340