

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

d/b/a USA Rugby

Financial Statements

For the Year Ended December 31, 2022



To the USA Rugby Community:

The 2022 audited financial reports and management letters for USA Rugby are below. Note that the going concern qualification to the 2021 audited financials has been removed for 2022.

The 2022 financial year was one of transition for USA Rugby, following a 2021 which saw most operations limited by the continued impact and uncertainty of the COVID-19 pandemic. Membership revenue increased by 15% over 2021, and there was a 30% growth in actual membership from the 2020-2021 season to the 2021-2022 season. This allowed the National Office to operate on a break-even basis with respect to revenues and expenses in support of its Youth + High School, College and Club communities. In High Performance, the Men's and Women's Sevens programs completed the first full season of the HSBC World Rugby Sevens Series since 2019, as well as the 2022 Rugby World Cup Sevens events. The Women's 15's team prepared and participated in the delayed 2022 staging of the 2021 Rugby World Cup in New Zealand. The Men's 15's team competed in a series of preparatory and extended qualification matches for the 2023 World Cup, albeit unsuccessfully.

While 2022 positively marked the return of rugby operations, it also came with challenges. While USA Rugby was able to stage several commercially successful matches in 2021, in 2022 the Men's 15's participation in the Rugby World Cup qualification repechage tournament, which overlapped the November international test window, precluded USA Rugby's ability to host planned revenue-generating matches. In addition, a difficult commercial sponsorship market and the lack of qualification for the 2023 Rugby World Cup caused commercial sponsorship revenues to fall well short of budget. The combination of these two circumstances contributed to a \$700k shortfall in commercial and events revenue relative to budget, with a similar impact on net income for the year.

Fortunately, a strong reserve of High-Performance revenue from 2021 (generated in part by the limited activities that calendar year), as well as careful financial monitoring and planning allowed





USA Rugby to not only absorb the negative impact and result for the year, but also to maneuver into a stronger commercial position insulated from future sponsorship and commercial event variability. In September of 2022, USA Rugby entered into a commercial rights agreement with World Rugby related to the joint venture staging of the 2031 and 2033 Rugby World Cups in the United States. This agreement not only guarantees USA Rugby stable commercial and event revenue and growth opportunities over the next decade, but also insulates USA Rugby from the financial risk associated with hosting the annual calendar of national team events, as well as the expense of maintaining both a commercial and events staff. The anticipated positive financial results for High Performance and the organization as a whole in 2023 will demonstrate the benefits of that agreement.

As of this writing, the Men's and Women's Sevens teams have qualified for the Olympics, the Men's and Women's 15's teams are active and showing marked improvements, and each level of community rugby staged successful national championship events in 2023. As USA Rugby ends 2023 and looks forward to 2024, it does so in a place of financial security with guaranteed commercial and events revenue, increasing membership revenue and membership numbers, increased activity across the international and domestic rugby landscape, and with the opportunity to build toward staging global rugby's showpiece events in 2031 and 2033.

Sincerely,

USA Rugby Board of Directors



TABLE OF CONTENTS

Independent Auditor's Report	1
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United States of America Rugby Football Union, Ltd.
d/b/a USA Rugby
Glendale, Colorado

Opinion

We have audited the accompanying financial statements of United States of America Rugby Football Union, Ltd. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States of America Rugby Football Union, Ltd. as of December 31, 2022, and the changes in its net assets and its 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 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.'s 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, including omissions, 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.'s 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.'s 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.'s 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived. The entities that were consolidated with United States of America Rugby Football Union, Ltd. were dissolved during the year ended December 31, 2021.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
July 21, 2023

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
d/b/a USA RUGBY
Statement of Financial Position
December 31, 2022
(With Comparative Consolidated Totals for December 31, 2021)

	<u>ASSETS</u>	
	<u>2022</u>	Consolidated <u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,178,316	\$ 2,586,976
Accounts receivable	683,595	55,865
Due from affiliated parties	61,168	7,749
Prepaid expenses	<u>551,099</u>	<u>319,510</u>
Total current assets	2,474,178	2,970,100
PROPERTY AND EQUIPMENT:		
Furniture and equipment	33,751	417,487
Website		48,291
Software		66,999
Less accumulated depreciation	<u>(28,320)</u>	<u>(513,799)</u>
Property and equipment - net	5,431	18,978
OTHER ASSETS:		
Right-of-use assets	51,105	103,614
Deposits	<u>10,947</u>	<u>12,547</u>
TOTAL ASSETS	<u>\$ 2,541,661</u>	<u>\$ 3,105,239</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 695,792	\$ 716,591
Accrued liabilities	193,220	
Current portion of long-term debt	196,964	529,464
PPP loan	375,000	375,000
Current portion of lease liabilities	41,327	51,874
Deferred revenue	<u>1,027,215</u>	<u>857,579</u>
Total current liabilities	2,529,518	2,530,508
LEASE LIABILITIES NONCURRENT	10,413	51,740
LONG-TERM DEBT	<u>457,187</u>	<u>321,651</u>
TOTAL LIABILITIES	2,997,118	2,903,899
NET ASSETS:		
Without donor restrictions	<u>(455,457)</u>	<u>201,340</u>
Total net assets	<u>(455,457)</u>	<u>201,340</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,541,661</u>	<u>\$ 3,105,239</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.

d/b/a USA RUGBY

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2022

(With Comparative Consolidated Totals for December 31, 2021)

	Net Assets Without Donor Restrictions	2022 Totals	Consolidated 2021 Totals
REVENUE:			
High performance grants	\$ 5,547,566	\$ 5,547,566	\$ 4,990,192
Membership dues	2,171,570	2,171,570	1,873,983
Donations	1,443,090	1,443,090	1,279,526
In-kind contributions	1,007,966	1,007,966	
Corporate sponsorship	587,500	587,500	445,000
Government grants - ERC	563,600	563,600	
Event revenue	416,930	416,930	1,142,453
Rugby development	456,454	456,454	294,619
Other income	128,706	128,706	283,041
Licensing	60,053	60,053	15,355
Investment income, net (Note D)	71	71	30
Merchandise sales			1,586
Total revenue	12,383,506	12,383,506	10,325,785
EXPENSES:			
Program services:			
Men's senior national team	5,310,960	5,310,960	3,411,855
Women's senior national team	3,159,194	3,159,194	2,010,717
Membership	1,102,004	1,102,004	967,657
Events	332,052	332,052	1,077,425
High performance	298,947	298,947	190,379
Rugby development	221,325	221,325	256,170
Total program services	10,424,482	10,424,482	7,914,203
Supporting services:			
National office	1,755,743	1,755,743	1,255,148
Media & marketing	662,305	662,305	802,658
Fundraising	197,773	197,773	169,609
Total supporting services	2,615,821	2,615,821	2,227,415
Total expenses	13,040,303	13,040,303	10,141,618
CHANGE IN NET ASSETS	(656,797)	(656,797)	184,167
NET ASSETS,			
beginning of year	201,340	201,340	17,173
NET ASSETS, end of year	<u>\$ (455,457)</u>	<u>\$ (455,457)</u>	<u>\$ 201,340</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
d/b/a USA RUGBY
Statement of Functional Expenses - Program Services
For the Year Ended December 31, 2022
(With Comparative Consolidated Totals for December 31, 2021)

	Men's Senior National Team	Women's Senior National Team	Membership	Events	High Performance	Rugby Development	Total Program Services
Accounting fees	\$	\$	\$	\$	\$	\$	\$
Advertising & marketing				16,666			16,666
Apparel	245,938	193,854		458	8,617	3,237	452,104
Awards & gifts	2,703	732					3,435
Background checks			108,705				108,705
Bad debt							
Bank charges	8,361	8,832	18,844	221	140		36,398
Branding & signage				2,987			2,987
Catering	96,709	27,199		15,093	1,627	231	140,859
Contract labor	1,691,548	449,760	7,100	9,538	37,283	38,420	2,233,649
Depreciation	344		16,667				17,011
Dues & subscriptions	1,980	1,286	20,146	610	594	6,875	31,491
Employee benefits	35,186	36,530	9,745	7,765	15,912		105,138
Equipment & supplies	73,848	74,815	50	4,876	5,570	700	159,859
Facility & equipment rental	870,752	582,301	4,375	9,482	530	3,650	1,471,090
Grants							
Insurance	211,421	93,886	656,836		482		962,625
Interest expense							
Legal fees	15,624						15,624
Match fees	3,583	1,078		4,200		39,646	48,507
Medical fees	59,291	51,312	1,646	854	174	249	113,526
Miscellaneous	39,237	49,788	60	1,616	780	2,745	94,226
Payroll taxes	22,826	35,524	12,006	7,492	23,332		101,180
Player per diem & stipend	293,575	222,230		300		6,140	522,245
Postage	2,603	4,717	217	3,194	4,956	261	15,948
Printing	14,052	2,845	84	42	1,066	356	18,445
RWC feasibility study							
Settlement							
Software & database	124,969	71,789	149,742		300		346,800
Stadiums				400			400
Travel, lodging, meals, & transportation	1,063,678	652,138	4,513	172,908	32,086	118,815	2,044,138
TV, video, & broadcasting	1,100			1,350			2,450
Utilities & telephone	2,076	2,942	10,000		598		15,616
Wages	428,809	594,890	80,888	72,000	164,900		1,341,487
Website	747	746	380				1,873
Total expenses	\$ 5,310,960	\$ 3,159,194	\$ 1,102,004	\$ 332,052	\$ 298,947	\$ 221,325	\$ 10,424,482

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
d/b/a USA RUGBY
Statement of Functional Expenses - Continued - Supporting Services
For the Year Ended December 31, 2022
(With Comparative Consolidated Totals for December 31, 2021)

					2021	
	National	Media &		Total	2022	Total
	Office	Marketing	Fundraising	Supporting	Total	Consolidated
				Services	Expenses	Expenses
Accounting fees	\$ 71,636	\$ 35,256	\$ 750	\$ 107,642	\$ 107,642	\$ 38,368
Advertising & marketing		4,418		4,418	21,084	21,268
Apparel		17,409	3,630	21,039	473,143	247,676
Awards & gifts	664		331	995	4,430	4,687
Background checks					108,705	70,755
Bad debt	2,405			2,405	2,405	
Bank charges	8,328	210	1	8,539	44,937	11,572
Branding & signage		251		251	3,238	7,512
Catering	4,768		13,310	18,078	158,937	130,467
Contract labor	164,552	41,615	3,900	210,067	2,443,716	2,156,341
Database maintenance						
Depreciation	2,311			2,311	19,322	25,646
Dues & subscriptions	10,048	25,135	9,850	45,033	76,524	73,499
Employee benefits	43,689	21,241	17,980	82,910	188,048	162,420
Equipment & supplies	6,664	1,341	2,574	10,579	170,438	156,184
Facility & equipment rental	108,211			108,211	1,579,301	631,877
Grants		500	3,021	3,521	3,521	22,899
Insurance	131,495			131,495	1,094,120	843,017
Interest expense	14,327			14,327	14,327	8,144
Legal fees	199,728	3,884		203,612	219,236	244,161
Match fees					48,507	24,670
Medical fees	122			122	113,648	126,899
Miscellaneous	4,640	204	2,242	7,086	101,312	57,568
Payroll taxes	38,591	24,386	10,511	73,488	174,668	160,639
Player per diem & stipend		450		450	522,695	357,545
Postage	4,479	4,359	2,257	11,095	27,043	36,604
Printing	150	42	507	699	19,144	12,163
RWC feasibility study						428,750
Settlement		135,000		135,000	135,000	
Software & database	99,650	440		100,090	446,890	144,597
Stadiums					400	66,352
Travel, lodging, meals, & transportation	238,048	26,084	8,519	272,651	2,316,789	1,697,402
TV, video, & broadcasting		67,799		67,799	70,249	99,074
Utilities & telephone	3,215	643		3,858	19,474	16,753
Wages	554,683	251,529	118,300	924,512	2,265,999	1,996,331
Website	43,339	109	90	43,538	45,411	59,778
Total expenses	<u>\$1,755,743</u>	<u>\$ 662,305</u>	<u>\$ 197,773</u>	<u>\$ 2,615,821</u>	<u>\$13,040,303</u>	<u>\$ 10,141,618</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.

d/b/a USA RUGBY

Statement of Cash Flows

For the Year Ended December 31, 2022

(With Comparative Consolidated Totals for December 31, 2021)

	<u>2022</u>	Consolidated <u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (656,797)	\$ 184,167
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	19,322	25,646
(Increase) decrease in operating assets:		
Accounts receivable, net	(627,730)	20,977
Due from affiliated organizations	(53,419)	144,352
Prepaid expenses	(231,589)	(249,505)
Deposits	1,600	(7,247)
Right-of-use assets	52,509	(103,614)
Increase (decrease) in operating liabilities:		
Accounts payable	(20,799)	384,987
Accrued liabilities	193,220	(3,944)
Lease liabilities	(51,874)	103,614
Deferred revenue	<u>169,636</u>	<u>703,059</u>
Total adjustments	<u>(549,124)</u>	<u>1,018,325</u>
Net cash provided (used) by operating activities	(1,205,921)	1,202,492
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(5,775)</u>	<u> </u>
Net cash used by investing activities	(5,775)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt, net	<u>(196,964)</u>	<u>(198,858)</u>
Net cash used by financing activities	<u>(196,964)</u>	<u>(198,858)</u>
NET INCREASE (DECREASE) IN CASH	(1,408,660)	1,003,634
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,586,976</u>	<u>1,583,342</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,178,316</u>	<u>\$ 2,586,976</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
d/b/a USA Rugby

Notes to Financial Statements

For the Year Ended December 31, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Prior to 2022 the Corporation had two controlled organizations. USA Rugby Foundation (the Foundation) was formed in 2002, as a Pennsylvania non-profit corporation, and was a supporting organization for USA Rugby with USA Rugby as the sole member. During 2021 the Foundation distributed all assets to USA Rugby and the entity was legally dissolved in 2022.

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) was responsible for promoting the sport of rugby through alternative channels and international events. Initially, USARP was a single-member LLC, with the sole member being USA Rugby. However, in 2015 and 2016, non-controlling interests were acquired by unrelated investors. USARP ceased operations and dissolved in 2021.

Basis of Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). The Corporation 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

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - continued

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 Corporation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Corporation.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's checking, money market, and savings accounts. The Corporation maintains its cash and cash equivalents at commercial banks. In the unlikely event of a bank failure, the Corporation 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 \$5,335 and \$8,144 and no income taxes paid for the years ended December 31, 2022 and 2021, respectively.

Accounts Receivable

Accounts receivable include amounts from contracts with customers, grants receivable and other miscellaneous amounts. Receivables from contracts with customers at the beginning and end of 2022 were \$55,865 and \$119,995. Included in accounts receivable at December 31, 2022, is the \$563,600 grant receivable for Employee Retention Credit (ERC) (See Note F).

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 account is necessary for the years ending December 31, 2022 and 2021.

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 \$19,322 and \$25,646 for the years ended December 31, 2022 and 2021, respectively.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Contributions include United States Olympic & Paralympic Committee (USOPC), World Rugby (WR) grants and Government grant - ERC.

Donated Assets, Property and Equipment, and Services

In September 2020, FASB issued ASU 2020-7, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. The most significant change is disclosure of details related to contributed goods and services. The Corporation adopted this ASU as of January 1, 2022.

The Corporation's policy related to donated assets is to utilize the assets given to carry out the mission of the Corporation. If an asset is provided that does not allow the Corporation to utilize it in its normal course of business, the asset will be sold at its fair market value as determined

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Donated Assets, Property and Equipment, and Services - continued

by appraisal or specialist depending on the type of asset. The Corporation did not sell any donated assets received during the years ending December 31, 2022, and 2021.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation.

The Corporation also received donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

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. Membership revenue related to the background check is recognized when the background check is performed. The remaining performance obligations are recognized 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 - The Corporation recognizes revenue from contracts with sponsors and suppliers. Performance obligations in such contracts are satisfied as services are rendered, and therefore, the Corporation will recognize revenue over the time of the contract. The Corporation has concluded that the performance obligations within these contracts are substantially the same in each year and are satisfied ratably over the term of the agreement.

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 signifies the completion of the Corporation's performance obligations.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Event revenue - continued - 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.

Licensing - The Corporation receives licensing and royalty payments for use of the Corporation name and logo. 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.

Income Tax

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

The Corporation's Form 990, Return of Organization Exempt from Income Tax, is subject to examination by various taxing authorities, generally for three years after the date it was filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

Prior-Year Comparisons

The financial statements include certain prior year summarized consolidated 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 Corporation's consolidated financial statements for the year ended December 31, 2021, from which the information was derived.

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

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through July 21, 2023, the date that the financial statements were available to be issued.

B. AVAILABLE RESOURCES AND LIQUIDITY

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,178,316	\$ 2,586,976
Accounts receivable, net	683,595	55,865
Due from affiliated organizations	<u>61,168</u>	<u>7,749</u>
Total financial assets available within one year	<u>\$ 1,923,079</u>	<u>\$ 2,650,590</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).

The Corporation receives a majority of its support without donor restrictions. In addition, the Corporation receives occasional contributions with donor restrictions to use in accordance with the associated purpose or time restrictions.

C. INVESTMENT INCOME (LOSS)

Investment income (loss) consists of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	<u>\$ 71</u>	<u>\$ 30</u>

Notes to Financial Statements

D. LINES OF CREDIT

During 2020, the Corporation filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. 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.

E. DEFERRED REVENUE

Deferred revenue, a contract with customers liability, consists of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Membership revenue	<u>\$ 1,027,215</u>	<u>\$ 857,579</u>

The Corporation uses a membership year of September 1st to August 31st. At December 31, 2022 and 2021, eight months of membership revenue is deferred to the subsequent year, when applicable.

F. PAYROLL PROTECTION PROGRAM AND OTHER GOVERNMENT GRANTS

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 two years and an interest rate of 1.0%. 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. Depending on the outcome of the appeal, the loan could be due immediately; however, if the loan is not forgiven in full, management plans to request the loan period be extended to five years under the PPP program which will be subject to SBA approval.

The 2021 Coronavirus Aid, Relief, and Economic Security (CARES) act included a provision that created the employee retention credit, a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020.

Notes to Financial Statements

F. PAYROLL PROTECTION PROGRAM AND OTHER GOVERNMENT GRANTS - Continued

Additional relief provisions extended the credit through September 30, 2021 and expanded the credit to allow it to be equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was \$10,000 of qualified wages per quarter.

During the year ended December 31, 2022, the Corporation determined it was eligible for the Employee Retention Credit. Amended payroll tax returns were prepared reflecting a credit of approximately \$563,600 which is included in the statement of activities as Government grant - ERC.

G. LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2022:

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. Payment plan was revised in December 2021 per request of USA Rugby. The loan is to be repaid in quarterly payments of \$20,000 beginning March 2022 with the final payment of \$12,500 in March 2027.

\$ 332,500

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 in September 2025.

321,651

Total

654,151

Less current portion

(196,964)

Noncurrent portion

\$ 457,187

Notes to Financial Statements

G. LONG-TERM DEBT - Continued

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

2023	\$ 196,964
2024	196,964
2025	167,723
2026	80,000
2027	12,500

H. 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, 2022 and 2021, consist of the following project categories:

	<u>2022</u>	<u>2021</u>
High performance grants	\$ 1,732,500	\$ 930,816
Other grants		12,841
	<u>\$ 1,732,500</u>	<u>\$ 943,657</u>

The USOPC also provides a credit toward usage of the Chula Vista Elite Athlete Training Center. See Note I for additional information.

The USOPC also provides direct athlete support, which is not recorded in the 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, 2022 and 2021, consist of the following project categories:

	<u>2022</u>	<u>2021</u>
High performance and sport development grants	\$ 2,236,069	\$ 2,582,758
Other grants	1,215,415	892,466
Reimbursements	294,284	435,378
Rugby world cup development	69,298	135,933
	<u>\$ 3,815,066</u>	<u>\$ 4,046,535</u>

Notes to Financial Statements

I. IN-KIND GOODS AND SERVICES

The fair value of in-kind goods and services included as support in the financial statements and the corresponding expense categories for the year ended December 31, 2022 are as follows:

	<u>2022</u>	<u>2021</u>
Services:		
Credit for Chula Vista Elite		
Athlete Training Center	\$ 492,500	\$
Coaching/instructing services	2,050	
Travel	<u>677</u>	<u> </u>
Total in-kind services	495,227	
Goods:		
Apparel	405,155	
Equipment	<u>107,584</u>	<u> </u>
Total in-kind goods	<u>512,739</u>	<u> </u>
Total in-kind	<u>\$ 1,007,966</u>	<u>\$</u>

The in-kind goods and services are used primarily in the Men's National Team and Women's National Team programs. Media and Marketing also utilizes some apparel.

J. 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. Employees also have the option to make post-tax deferrals to a Roth 401(k). The Corporation matches a portion of the employee's deferral, subject to limits set by the Plan.

During the years ended December 31, 2022 and 2021, the Corporation made matching contributions to the Plan totaling \$13,341 and \$6,754, respectively.

Notes to Financial Statements

K. OPERATING LEASE AGREEMENTS

The Corporation assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As the Corporation's leases do not provide an implicit rate, the Corporation uses the risk-free discount rate based on the five-year Treasury bond rate as of the later of the date of adoption of the lease standard or the initial date of the lease term in determining the present value of lease payments in determination of the respective right-of-use (ROU) assets and liabilities.

Under ASU 2016-02, the Corporation has made an accounting policy election to apply the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with a term of 12 months or less that do not include an option to purchase the underlying asset, are not recorded on the balance sheet as ROU assets or lease liabilities. The Corporation has elected to expense the cost of the short-term leases on the straight-line basis in the accompanying Statements of Activities.

The Corporation adopted ASU 2016-02 effective January 1, 2022. Upon adoption the Corporation recognized right-of-use assets and lease liabilities of \$103,614. There was no impact on the statement of activities related to the adoption of the standard.

In September 2018, the Corporation entered into a lease agreement for equipment at the training facility in Chula Vista, California. The initial lease term was 2 years and was most recently renewed in April 2022 and the agreement runs through April 2024. The monthly payment, including applicable taxes, was \$3,099 and increased to \$3,478 when renewed.

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.

Upon the end of the lease term, the Corporation transitioned into a month-to-month lease for the warehouse space. The Corporation continued paying \$2,438 per month until August 2022 when the monthly payment increased 6% to \$2,600.

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.

Notes to Financial Statements

K. OPERATING LEASE AGREEMENTS - Continued

In June 2022, the Corporation transitioned into a month-to-month lease for the general office space. The lease requires monthly base payments of \$4,410 and additional payments for common area expenses and parking rent.

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended December 31, 2022:

	<u>2022</u>	<u>2021</u>
Operating lease rent, included in:		
Program service expenses	\$ 41,238	\$ 38,206
Supporting services expenses	12,190	28,290
Variable payments, included in:		
Program service expenses		
Supporting services expenses	8,091	3,129
Short-term lease rent, included in		
Program service expenses	<u>86,231</u>	<u>25,962</u>
Total lease cost	<u>\$ 147,750</u>	<u>\$ 95,587</u>

The following summarizes lease term and discount rate for operating leases as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating Leases:		
Weighted Average Remaining Lease Term	1.33 years	2.03 years
Weighted Average Discount Rate	1.26%	1.26%

Maturities of operating leases as of the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
2022	\$	\$ 52,793
2023	41,740	41,740
2024	<u>10,435</u>	<u>10,435</u>
Total lease payments	52,175	104,968
Less: interest	<u>(435)</u>	<u>(1,354)</u>
Present value of lease liabilities	<u>\$ 51,740</u>	<u>\$ 103,614</u>

Notes to Financial Statements

K. OPERATING LEASE AGREEMENTS - Continued

Supplemental cash flow information for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating cash flows:		
Cash paid for amounts included in measurement of lease liabilities for operating leases	\$ <u>52,793</u>	\$ <u>66,496</u>
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ <u> </u>	\$ <u>103,614</u>

L. OPERATIONS

Management has assessed operations over the coming year. Revenues are increasing and expenses are stable. The Corporation has entered into a licensing agreement with World Rugby Events Designated Activity Company for a minimum of \$1.5 million a year from September 1, 2022 - December 31, 2033. Therefore, management believes the change in net assets will be positive and the deficit in net assets will decrease. Management believes any doubt of going concern has been alleviated.

M. CONTINGENCIES

Occasionally, in the conduct of business, the Corporation 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 Corporation, as of December 31, 2022, are either without merit or will not exceed insurance limits.

N. 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.