

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

**Consolidated Financial Statements
& Supplemental Schedules**

For the Year Ended December 31, 2019

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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

We have audited the accompanying consolidated financial statements of United States of America Rugby Football Union, Ltd., (a non-profit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United States of America Rugby Football Union, Ltd. and Subsidiaries as of December 31, 2020, 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.

Emphasis of Matter

As discussed in Note Q to the consolidated financial statements, the Organization has experienced significant operating losses over the last few years which raised substantial doubt that the Organization can continue as a going concern. Management's evaluation of the events and conditions and Management's plans to mitigate those matters are also described in Note Q. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited United States of America Rugby Football Union, Ltd. and Subsidiaries' 2019 consolidated financial statements, and our report dated September 24, 2021, expressed an unmodified opinion on those consolidated audited financial statements. In our opinion, the consolidated summarized comparative information presented herein as of and for the year ended December 31, 2019, 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
November 29, 2021

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.

AND SUBSIDIARIES

Consolidated Statement of Financial Position

December 31, 2020

(With Comparative Totals for December 31, 2019)

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,583,257	\$ 1,455,770
Accounts receivable, net	76,842	141,011
Due from affiliated organizations	152,101	11,553
Other receivables		110,018
Prepaid expenses	<u>70,005</u>	<u>33,523</u>
Total current assets	1,882,205	1,751,875
LONG-TERM INVESTMENTS	85	273,658
PROPERTY AND EQUIPMENT:		
Furniture and equipment	424,963	476,693
Website		13,177
Software	48,291	48,291
Leasehold improvements	66,999	73,775
Less accumulated depreciation	<u>(495,628)</u>	<u>(526,059)</u>
Property and equipment - net	44,625	85,877
OTHER ASSET:		
Other long-term receivable, net		15,801
Deposits	<u>5,300</u>	<u>19,328</u>
TOTAL ASSETS	<u>\$ 1,932,215</u>	<u>\$ 2,146,539</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 331,605	\$ 2,193,323
Accrued liabilities	3,944	131,967
Due to affiliated organizations		166,803
Current portion of long-term debt	276,893	852,002
Line of credit		455,488
Deferred revenue (Note F)	<u>154,520</u>	<u>2,141,827</u>
Total current liabilities	766,962	5,941,410
LONG-TERM DEFERRED REVENUE (Note F)		13,048
LONG-TERM DEBT (Note H)	1,148,080	2,698,007
NET ASSETS:		
Without donor restrictions	(428,983)	(7,059,254)
Without donor restrictions - non-controlling interest in USA Rugby Partners (Note I)	446,156	457,108
With donor restrictions (Note J)	<u></u>	<u>96,220</u>
Total net assets	<u>17,173</u>	<u>(6,505,926)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,932,215</u>	<u>\$ 2,146,539</u>

See Notes to Consolidated Financial Statements

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, 2020
(With Comparative Totals For the Year Ended December 31, 2019)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2020 Consolidated Totals	2019 Consolidated Totals
REVENUE:				
Cancellation of debt income	\$ 5,082,338	\$	\$ 5,082,338	\$
Membership dues	3,043,601		3,043,601	5,364,088
High performance grants	1,823,538		1,823,538	3,210,049
Donations	1,480,415		1,480,415	1,765,202
Corporate sponsorship	1,300,500		1,300,500	1,615,872
Other income	169,326		169,326	39,737
Rugby development	117,844		117,844	324,282
Expense recovery and adjustment	57,937		57,937	627,175
Licensing	12,252		12,252	948,342
Merchandise sales, net of cost of goods sold of \$0 and \$6,737	1,484		1,484	19,562
Investment income (loss), net (Note D)	710	213	923	(34,596)
Event revenue	280		280	771,914
In-kind contributions				372,500
Amounts released from restriction (Note J)	96,433	(96,433)		
Total revenue	13,186,658	(96,220)	13,090,438	15,024,127
EXPENSES:				
Program services:				
Men's senior national team	1,280,484		1,280,484	5,225,029
Women's senior national team	1,123,005		1,123,005	2,001,749
Membership	580,946		580,946	1,861,380
Events	378,167		378,167	1,420,885
Rugby development	250,643		250,643	702,368
High performance	142,598		142,598	788,006
Total program services	3,755,843		3,755,843	11,999,417
Supporting services:				
National office	2,055,390		2,055,390	2,574,496
Media & marketing	578,137		578,137	1,705,345
Fundraising	177,969		177,969	408,798
Total supporting services	2,811,496		2,811,496	4,688,639
Total expenses	6,567,339		6,567,339	16,688,056
CONSOLIDATED CHANGE IN NET ASSETS	6,619,319	(96,220)	6,523,099	(1,663,929)
NET ASSETS, beginning of year	(6,602,146)	96,220	(6,505,926)	(4,841,997)
NET ASSETS, end of year	\$ 17,173	\$	\$ 17,173	\$ (6,505,926)

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, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Men's Senior National Team	Events	Rugby Development	Membership	Women's Senior National Team	High Performance	Total Program Services
Accounting fees	\$	\$	\$	\$	\$	\$	\$
Advertising & marketing	6,800	2,298	20				9,118
Apparel	675		(2,148)	(2,650)			(4,123)
Awards & gifts	34	15,954			872		16,860
Background checks				33,364			33,364
Bad debt	4,110		1,600				5,710
Bank charges	482			619	490	41	1,632
Branding & signage							
Clinic host reimbursements			(20,590)				(20,590)
Conferences							
Consulting services							
Contract labor	510,879	9,168	49,622	14,318	234,914	75,875	894,776
Database maintenance				13,111		35	13,146
Depreciation	1,451	118	3,269	16,867	1,780		23,485
Dues & subscriptions	66,683	242	4,192	37,500	98,455		207,072
Employee benefits	25,470	9,233	334	29,480	46,211	10,061	120,789
Facility & equipment rental	229,983	228		5,638	159,584	35	395,468
Grants		178,000	93,971		600		272,571
Hosting							
Insurance	93,695			274,288	53,087	10	421,080
Interest expense							
Legal fees	21,024			110	6,049		27,183
Match fees	580		(4,450)		710		(3,160)
Medical fees	7,284	2,020	313		14,564		24,181
Miscellaneous	1,383	2,760	7,710	552	4,510		16,915
Payroll taxes	16,111	10,450	4,957	12,036	24,551	7,244	75,349
Player per diem					39,854		39,854
Postage	963	2,233	1,431	226	1,881	472	7,206
Printing	515	665	406		249		1,835
Rent				544		12,096	12,640
RWC feasibility study		15,000					15,000
Stadiums	9,707	6,100	7,514		4,580		27,901
Supplies			737				737
Travel, lodging, meals, & transportation	10,638	4,033	57,373	469	117,847	(23,112)	167,248
TV, video, & broadcasting				778			778
Uniforms							
Utilities & telephone	5,596	128	67	(10)	7,734	22	13,537
Wages	266,359	119,537	44,315	143,181	304,421	59,819	937,632
Website	62			525	62		649
Total expenses	1,280,484	378,167	250,643	580,946	1,123,005	142,598	3,755,843
Less expenses netted against revenue on statement of activities							
	<u>\$ 1,280,484</u>	<u>\$ 378,167</u>	<u>\$ 250,643</u>	<u>\$ 580,946</u>	<u>\$ 1,123,005</u>	<u>\$ 142,598</u>	<u>\$ 3,755,843</u>

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.

AND SUBSIDIARIES

Consolidated Statement of Functional Expenses - Continued - Supporting Services

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Media & Marketing	National Office	Fundraising	Total Supporting Services	2020 Total Expenses	2019 Total Expenses
Accounting fees	\$ 22,443	\$ 13,759	\$ 29	\$ 36,231	\$ 36,231	\$ 47,928
Advertising & marketing	5,770			5,770	14,888	42,853
Apparel	4,814	40		4,854	731	98,410
Awards & gifts		418	523	941	17,801	51,459
Background checks					33,364	102,523
Bad debt		31,293		31,293	37,003	
Bank charges		5,733	2,127	7,860	9,492	161,187
Branding & signage						1,692
Clinic host reimbursements					(20,590)	(70,585)
Conferences						2,327
Consulting services						11,923
Contract labor	78,951	149,293		228,244	1,123,020	3,018,279
Cost of merchandise sold						17,281
Database maintenance	1,096	5,804	14,300	21,200	34,346	101,636
Depreciation	406	13,621	353	14,380	37,865	35,700
Dues & subscriptions	16,352	17,105	29	33,486	240,558	102,922
Employee benefits	33,794	30,952	16,910	81,656	202,445	437,204
Facility & equipment rental	452	6,240	778	7,470	402,938	980,223
Grants			780	780	273,351	66,600
Hosting		12,821		12,821	12,821	23,737
Insurance	800	340,603		341,403	762,483	1,441,565
Interest expense		50,278		50,278	50,278	38,968
Legal fees	28,233	716,249		744,482	771,665	726,494
Match fees					(3,160)	32,012
Medical fees					24,181	182,929
Miscellaneous	3,135			3,135	20,050	129,237
Payroll taxes	30,873	35,053	9,905	75,831	151,180	229,254
Player per diem					39,854	190,502
Postage	6,609	4,224	1,173	12,006	19,212	134,064
Printing		(200)		(200)	1,635	535,851
Rent		64,506		64,506	77,146	84,456
RWC feasibility study		45,398		45,398	60,398	
Stadiums					27,901	456,320
Supplies					737	20,409
Travel, lodging, meals, & transportation	11,200	16,181	4,125	31,506	198,754	2,809,750
TV, video, & broadcasting	4,690			4,690	5,468	220,397
Uniforms						312,500
Utilities & telephone	(2)	17,971	347	18,316	31,853	87,805
Wages	328,521	477,810	124,195	930,526	1,868,158	3,837,829
Website		238	2,395	2,633	3,282	1,696
Total expenses	578,137	2,055,390	177,969	2,811,496	6,567,339	16,705,337
Less expenses netted against revenue on statement of activities						(17,281)
	<u>\$ 578,137</u>	<u>\$ 2,055,390</u>	<u>\$ 177,969</u>	<u>\$ 2,811,496</u>	<u>\$ 6,567,339</u>	<u>\$ 16,688,056</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, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,523,099	\$ (1,663,929)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Cancellation of debt	(5,082,338)	
Realized and unrealized gains on investments	827	37,728
Depreciation	37,865	35,700
Loss on abandonment of leaseholds	3,387	
(Increase) decrease in operating assets:		
Accounts receivable, net	64,169	593,680
Due from affiliated organizations	(140,548)	57,453
Other receivables	125,819	209,522
Prepaid expenses	(36,482)	153,452
Deposits	14,028	
Increase (decrease) in operating liabilities:		
Accounts payable	(329,409)	(108,804)
Due to affiliated organizations	(166,803)	29,865
Accrued liabilities	(128,023)	(166,347)
Deferred revenue	(2,000,355)	(597,593)
Total adjustments	<u>(7,637,863)</u>	<u>244,656</u>
Net cash used by operating activities	(1,114,764)	(1,419,273)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment		(65,022)
Change in investments, net	<u>272,746</u>	<u>(145,313)</u>
Net cash provided (used) by investing activities	272,746	(210,335)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt, net	925,020	376,050
Line of credit, net	<u>44,485</u>	<u>455,488</u>
Net cash provided by financing activities	<u>969,505</u>	<u>831,538</u>
NET INCREASE (DECREASE) IN CASH	127,487	(798,070)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,455,770</u>	<u>2,253,840</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,583,257</u>	<u>\$ 1,455,770</u>

See Notes to Consolidated Financial Statements

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

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2020

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.

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 in 2021.

Notes to Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Organization - continued

Rugby World Cup 2018, LLC (a Delaware limited liability company) was formed in 2017. Rugby World Cup 2018, LLC (RWC) is a single-member LLC, with the initial sole member being USARP. In May 2018, RWC was transferred to USARP's sole member, USA Rugby. RWC was formed to (a) promote the sport of rugby and further the purposes that USA Rugby is authorized to pursue, (b) to host and operate the 2018 Rugby World Cup Sevens tournament in the California bay area, and (c) engaging in other activities as may be reasonably necessary to pursue or accomplish the foregoing (collectively, the Business). The Business of RWC may be conducted directly by RWC or indirectly through another company. RWC was dissolved March 15, 2019.

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, net assets, and activities of the Corporation, the Foundation, USARP, and RWC, 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 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.

Notes to Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Supplemental Cash Flow Disclosure

Cash flows from operating activities reflect interest paid of \$50,278 and \$59,222 and no income taxes paid for the years ended December 31, 2020 and 2019, 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 2020 were \$60,000 and \$76,842, respectively.

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 an allowance for doubtful accounts in the amount of \$0 and \$53,365 is necessary for the years ending December 31, 2020 and 2019, respectively.

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 \$37,865 and \$35,700 for the years ended December 31, 2020 and 2019, 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.

Notes to Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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.

During the year ended December 31, 2020, net assets with donor restrictions granted to the Corporation from the Foundation for satisfaction of the respective restriction were granted with restrictions intact. However, in accordance with the Corporation's policy, these restricted contributions were reported as revenue without donor restrictions when the restrictions were satisfied in the same period.

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.

Notes to Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

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 USA Rugby, and in connection with USA Rugby 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.

Licensing - As part of the sale of The Rugby Channel, LLC in 2018, USARP receives licensing payments from the new owner. USARP has an agreed upon payment schedule and recognizes the revenue from this licensing agreement on a straight-line basis as quarterly performance obligations are satisfied.

USARP, USA Rugby, TRC and an acquiring unrelated entity entered into multiple license and sublicense agreements effective upon the date of sale in May 2018. Under these agreements, TRC will pay USARP license fees through 2024. The license fee is payable in unequal quarterly installments; license fee revenue is recognized on a straight-line basis ratably over the term of the license agreement. See Note S for additional information.

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.

Notes to Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. As a disregarded entity, RWC's information is included in the Corporation's Form 990.

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.

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 States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the information was derived.

Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 29, 2021, the date that the financial statements were available to be issued.

Notes to Consolidated Financial Statements

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>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,583,257	\$ 1,455,770
Accounts receivable, net	76,842	141,011
Due from affiliated organizations	152,101	11,553
Other receivables		110,018
Investments	<u>85</u>	<u>273,658</u>
	1,812,285	1,992,010
Less assets with donor restrictions (Note J)	<u></u>	<u>96,220</u>
Total financial assets available within one year	<u>\$ 1,812,285</u>	<u>\$ 2,088,230</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). To manage liquidity, the Corporation maintains a line of credit (see Note E).

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. FAIR VALUE MEASUREMENT

The Organization applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3

Notes to Consolidated Financial Statements

C. FAIR VALUE MEASUREMENT - Continued

measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at December 31, 2020 and 2019:

Assets at Fair Value as of December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	<u>\$ 85</u>	<u>\$</u>	<u>\$</u>	<u>\$ 85</u>

Assets at Fair Value as of December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt securities:				
Fixed income	\$ 156,927	\$	\$	\$ 156,927
Equity securities:				
Mutual funds	4,928			4,928
Money market	<u>111,803</u>	<u></u>	<u></u>	<u>111,803</u>
	<u>\$ 273,658</u>	<u>\$</u>	<u>\$</u>	<u>\$ 273,658</u>

Notes to Consolidated Financial Statements

D. INVESTMENT INCOME (LOSS)

Investment income (loss) consists of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,915	\$ 4,721
Net realized & unrealized gains (losses)	(827)	(37,728)
Investment management fees	<u>(165)</u>	<u>(1,589)</u>
Income (loss) from investment activities	<u>\$ 923</u>	<u>\$ (34,596)</u>

E. LINES OF CREDIT

The Corporation had a line of credit available from a commercial bank for \$650,000 that was secured by all business assets and carried interest at LIBOR plus 8.856% and matured on January 27, 2020, and was extended at that time.

The outstanding balance on the line of credit was \$0 as of December 31, 2019.

On March 31, 2020 (Note P) 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.

F. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Membership revenue	\$ 154,520	\$ 1,869,469
Miscellaneous		272,358
Long-term deferred revenue	<u> </u>	<u>13,048</u>
	<u>\$ 154,520</u>	<u>\$ 2,154,875</u>

The Corporation uses a membership year of September 1st to August 31st. At December 31, 2020 and 2019, 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 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 0.98%. Loan payments are deferred for 10 months after the end of the covered period for payroll.

H. LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2020:

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.	\$ 550,000
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.	499,973
Payroll Protection Plan loan due to JP Morgan Chase Bank. If the loan is not forgiven monthly payments are estimated at \$16,250 beginning August 2021 with the final payment in July 2023.	<u>375,000</u>
Total	<u>\$ 1,424,973</u>

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

2021	\$ 276,983
2022	716,964
2023	226,339
2024	116,964
2025	87,723

Notes to Consolidated Financial Statements

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.

	<u>USARP Controlling Interest</u>	<u>USARP Non- controlling Interest</u>
Balance at January 1, 2019	\$ (42,131)	\$ 493,659
Capital contributions		
Change in net assets	<u>(115,743)</u>	<u>(36,551)</u>
Balance at December 31, 2019	(157,874)	457,108
Capital contributions		
Change in net assets	<u>(33,989)</u>	<u>(10,952)</u>
Balance at December 31, 2020	<u>\$ (191,863)</u>	<u>\$ 446,156</u>

J. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019, consist of contributions received for the following purposes:

	<u>2020</u>	<u>2019</u>
IT Infrastructure Project	\$	\$ 93,759
Shanagher Morrison Referee Fund	<u></u>	<u>2,461</u>
	<u>\$</u>	<u>\$ 96,220</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2020 and 2019, net assets were released from restrictions by satisfying the following restricted purposes:

Notes to Consolidated Financial Statements

J. NET ASSETS WITH DONOR RESTRICTIONS - Continued

	<u>2020</u>	<u>2019</u>
Shanagher Morrison Referee Fund	\$ 93,972	\$ 7,000
IT Infrastructure Project	<u>2,461</u>	<u>91,732</u>
	<u>\$ 96,433</u>	<u>\$ 98,732</u>

K. 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, 2020 and 2019, consist of the following project categories:

	<u>2020</u>	<u>2019</u>
High performance grants	\$ 861,324	\$ 1,214,000
Value-in-kind	<u> </u>	<u>60,000</u>
	<u>\$ 861,324</u>	<u>\$ 1,274,000</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, 2020 and 2019, consist of the following project categories:

	<u>2020</u>	<u>2019</u>
High performance and sport development grants	\$ 753,218	\$ 1,736,656
Rugby world cup development	41,424	302,560
Other grants	<u>107,572</u>	<u>196,565</u>
	<u>\$ 902,214</u>	<u>\$ 2,235,781</u>

L. IN-KIND CONTRIBUTIONS

The Corporation received in-kind sponsorships and donations from various supporters, including affiliated organizations. In-kind sponsorships and donations recorded in the Organization's financial statements are \$0 and \$372,500 for the years ended December 31, 2020 and 2019, respectively.

Notes to Consolidated Financial Statements

M. 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, 2020 and 2019, the Corporation made matching contributions to the Plan totaling \$5,485 and \$17,405, respectively.

N. OPERATING LEASE AGREEMENTS

The Corporation had a lease agreement for general office space located in Lafayette, Colorado. The initial term for the office lease was April 1, 2016 through April 30, 2021, with an initial rate of \$6,250 per month and an escalation factor every 12 months. The Corporation cancelled this lease during the year ended December 31, 2020, with its last payment being in March 2020.

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 runs through May 31, 2021. The lease requires monthly payments of \$4,247.

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.

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

2021	\$	49,523
2022		12,190

O. 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.

Notes to Consolidated Financial Statements

P. 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. 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.

Q. GOING CONCERN

The Organization's consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Management acknowledges that the Organization incurred net losses for four prior years. These losses have substantially reduced working capital and net assets of the Organization.

Management and the Board of Directors was restructured in 2018 and again in 2020 to make corrective actions towards future solvency and profitability. Management was able to alleviate the substantial doubt that the Organization would continue as a going concern through its corrective actions.

As part of those corrective actions, the USARP sold its interests in TRC for a gain in May 2018 and executed sublicense agreements that will provide a future revenue source. The restructure in 2020 created four Councils that have more input and oversight of operations.

Also, Management has implemented cost reductions in all departments.

During 2020 the Corporation filed a petition for a plan of reorganization in bankruptcy court under Chapter 11. The plan of reorganization resulted in the discharge of debt of approximately \$5.1 million. The final plan was confirmed by the court on September 1, 2020.

Having implemented the actions described above, management of the Organization continues using the going concern basis in preparing the financial statements which assumes that the Organization will continue in operation for the foreseeable future.

Notes to Consolidated Financial Statements

R. 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, any pending or threatened litigation claims against the Organization, as of December 31, 2020, are either without merit or will not exceed insurance limits.

S. SUBSEQUENT EVENTS

During the year ended December 31, 2020, 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.

In June 2021 USARP negotiated an amendment to the contract for the sale of TRC. The amendment reduced the sales price and changed the licensing and rights fees to event based.

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
AND SUBSIDIARIES
Consolidating Statement of Financial Position
December 31, 2020

	<u>USA Rugby *</u>	<u>USA Rugby Charitable Foundation</u>	<u>USA Rugby Partners</u>	<u>Eliminating Entries</u>	<u>2020 Consolidated Totals</u>
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 951,605	\$ 5,359	\$ 626,293	\$	\$ 1,583,257
Accounts receivable, net	73,842		3,000		76,842
Due from related and affiliated parties, net	452,101			(300,000)	152,101
Other receivable					
Prepaid expenses	<u>70,005</u>				<u>70,005</u>
Total current assets	1,547,553	5,359	629,293	(300,000)	1,882,205
LONG-TERM INVESTMENTS	85				85
PROPERTY AND EQUIPMENT:					
Furniture and equipment	417,487	5,870	1,606		424,963
Website	48,291				48,291
Software	66,999				66,999
Less accumulated depreciation	<u>(488,152)</u>	<u>(5,870)</u>	<u>(1,606)</u>		<u>(495,628)</u>
Property and equipment - net	44,625				44,625
OTHER ASSETS:					
Other long-term receivable, net					
Deposits	<u>5,300</u>				<u>5,300</u>
TOTAL ASSETS	<u>\$ 1,597,563</u>	<u>\$ 5,359</u>	<u>\$ 629,293</u>	<u>\$ (300,000)</u>	<u>\$ 1,932,215</u>

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
AND SUBSIDIARIES
Consolidating Statement of Financial Position - Continued
December 31, 2020

	<u>USA Rugby *</u>	<u>USA Rugby Charitable Foundation</u>	<u>USA Rugby Partners</u>	<u>Eliminating Entries</u>	<u>2020 Consolidated Totals</u>
<u>LIABILITIES, MEMBERS' EQUITY, AND NET ASSETS</u>					
CURRENT LIABILITIES:					
Accounts payable	\$ 256,605	\$	\$ 75,000	\$	\$ 331,605
Due to related and affiliated parties, net			300,000	(300,000)	
Accrued liabilities	3,944				3,944
Current portion of long-term debt	276,893				276,893
Deferred revenue	<u>154,520</u>				<u>154,520</u>
Total current liabilities	691,962		375,000	(300,000)	766,962
LONG-TERM DEBT	1,148,080				1,148,080
MEMBERS' EQUITY					
Controlling interest			(191,863)		(191,863)
Non-controlling interest			<u>446,156</u>		<u>446,156</u>
Total members' equity	0		254,293		254,293
NET ASSETS:					
Without donor restrictions	(242,479)	5,359			(237,120)
With donor restrictions					-
Total net assets	<u>(242,479)</u>	<u>5,359</u>			<u>(237,120)</u>
TOTAL LIABILITIES, MEMBERS' EQUITY, AND NET ASSETS	<u>\$ 1,597,563</u>	<u>\$ 5,359</u>	<u>\$ 629,293</u>	<u>\$ (300,000)</u>	<u>\$ 1,932,215</u>

* Investments in subsidiaries are not reflected in this consolidating information to prevent distortion of entity specific assets; thus, elimination of the investments in subsidiaries is not applicable

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, 2020

	USA Rugby	USA Rugby Charitable Foundation	USA Rugby Partners	Eliminating Entries	2020 Consolidated Totals
REVENUE:					
Cancellation of debt income	\$ 5,082,338	\$	\$	\$	\$ 5,082,338
Membership dues	3,043,601				3,043,601
High performance grants	1,823,538				1,823,538
Donations	1,500,740	42,331		(62,656)	1,480,415
Corporate sponsorship			1,300,500		1,300,500
Other income	169,326				169,326
Rugby development	117,844				117,844
Expense recovery and adjustment			57,937		57,937
Licensing	905,518		6,734	(900,000)	12,252
Merchandise sales, net of cost of goods sold of \$0 and \$6,737	1,484				1,484
Investment income (loss), net (Note D)	916		7		923
Event revenue	280				280
Total revenue	12,645,585	42,331	1,365,178	(962,656)	13,090,438
EXPENSES:					
Program services:					
Men's senior national team	1,280,484				1,280,484
Women's senior national team	1,123,005				1,123,005
Membership	580,946				580,946
Events	315,892		62,275		378,167
Rugby development	250,643	62,656		(62,656)	250,643
High performance	142,598				142,598
Total program services	3,693,568	62,656	62,275	(62,656)	3,755,843
Supporting services:					
National office	2,023,580		31,810		2,055,390
Media & marketing	162,103		1,316,034	(900,000)	578,137
Fundraising	176,940	1,029			177,969
Total supporting services	2,362,623	1,029	1,347,844	(900,000)	2,811,496
Total expenses	6,056,191	63,685	1,410,119	(962,656)	6,567,339
CHANGE IN NET ASSETS	6,589,394	(21,354)	(44,941)		6,523,099
NET ASSETS AND MEMBERS' EQUITY, beginning of year	(6,831,873)	26,713	299,234		(6,505,926)
NET ASSETS AND MEMBERS' EQUITY, end of year	\$ (242,479)	\$ 5,359	\$ 254,293	\$	\$ 17,173