

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

d/b/a USA Rugby

Financial Statements

For the Year Ended December 31, 2023



2023 Audited Financial Statements

To the USA Rugby Community:

Accompanying this memorandum is the 2023 USA Rugby Financial Statements, as audited by the outside independent audit firm, Waugh & Goodwin LLP.

As anticipated, the 2023 year was both a financial and operational success for USA Rugby. Membership revenue increased by nearly 17% over 2022, and there was significant growth in actual membership across all aspects of the community game. At the same time, a focus on expenses and cash management allowed the National Office to operate on a positive 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 7's programs completed their full seasons, with the Women's 7's enjoying a top four finish. Both of our Men's and Women's 15's teams benefitted from increases in funding and coaching staff changes. Also encouraging were increased funding to both our Men's and Women's pathway programs.

The net result was an approximately \$1.5 million increase in net assets for the year as compared to 2022, as well as a \$2.1 million increase in cash.

As of this writing, we are seeing the results of the various improvements to our financial position reflected in the performance of USA Rugby. We have welcomed a new CEO and CFO. Our Men's and Women's 7's teams successfully participated in the Olympics, with our Women's 7's winning an historic bronze medal. Our Men's and Women's 15's teams are active and showing significant improvement with new coaching staffs. Our Women's 15 are one of six teams to earn early qualification to the 2025 World Cup. All of our communities were able to stage successful national championship events in 2024. As USA Rugby ends 2024 and looks forward to 2025, it does so in a place of increased 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 ongoing opportunity to build further toward staging global rugby's showpiece events in 2031 and 2033.

Of course, there are challenges ahead. Continued growth in the community game and high performance will require increased investments to meet our long-term growth and high performance goals. There is still a lot of work to do, but we are excited for the journey ahead.

Sincerely,

USA Rugby Board of Directors



501 S. Cherry Street Suite 100, Glendale, CO 80246 | Phone: 303.539.0300 | Fax: 303.539.0311

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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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
August 1, 2024

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
d/b/a USA RUGBY
Statement of Financial Position
December 31, 2023
(With Comparative Totals for December 31, 2022)

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,321,346	\$ 1,178,316
Accounts receivable	405,933	683,595
Due from affiliated parties	122,020	61,168
Prepaid expenses	<u>549,899</u>	<u>551,099</u>
Total current assets	4,399,198	2,474,178
PROPERTY AND EQUIPMENT:		
Furniture and equipment	111,310	33,751
Less accumulated depreciation	<u>(46,326)</u>	<u>(28,320)</u>
Property and equipment - net	64,984	5,431
OTHER ASSETS:		
Right-of-use assets	10,285	51,105
Deposits	<u>10,947</u>	<u>10,947</u>
TOTAL ASSETS	<u>\$ 4,485,414</u>	<u>\$ 2,541,661</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 663,231	\$ 695,792
Accrued liabilities	324,709	193,220
Current portion of long-term debt	196,964	196,964
PPP loan	375,000	375,000
Current portion of lease liabilities	10,413	41,327
Refundable advances	258,354	
Deferred revenue	<u>1,361,104</u>	<u>1,027,215</u>
Total current liabilities	3,189,775	2,529,518
LEASE LIABILITIES NONCURRENT		10,413
LONG-TERM DEBT	<u>260,223</u>	<u>457,187</u>
TOTAL LIABILITIES	3,449,998	2,997,118
NET ASSETS:		
Without donor restrictions	<u>1,035,416</u>	<u>(455,457)</u>
Total net assets	<u>1,035,416</u>	<u>(455,457)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,485,414</u>	<u>\$ 2,541,661</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, 2023

(With Comparative Totals for December 31, 2022)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2023 Totals	2022 Totals
REVENUE:				
High performance grants	\$ 7,348,999	\$	\$ 7,348,999	\$ 5,547,566
Membership dues	2,536,863		2,536,863	2,171,570
Donations	1,834,657		1,834,657	1,443,090
Corporate sponsorship	1,526,250		1,526,250	587,500
In-kind contributions	1,264,037		1,264,037	1,007,966
Other income	768,027		768,027	128,706
Rugby development	445,354		445,354	456,454
Event revenue	155,167		155,167	416,930
Investment income, net (Note D)	41,566		41,566	71
Licensing	31,276		31,276	60,053
Merchandise sales	(1,305)		(1,305)	
Government grants - ERC				563,600
Total revenue	15,950,891		15,950,891	12,383,506
EXPENSES:				
Program services:				
Men's senior national team	5,957,483		5,957,483	5,310,960
Women's senior national team	3,540,344		3,540,344	3,159,194
Membership	2,120,053		2,120,053	1,325,634
Rugby development	665,614		665,614	749,467
High performance	295,898		295,898	298,947
Events	116,210		116,210	332,052
Total program services	12,695,602		12,695,602	11,176,254
Supporting services:				
National office	1,400,569		1,400,569	1,218,456
Fundraising	363,847		363,847	645,593
Total supporting services	1,764,416		1,764,416	1,864,049
Total expenses	14,460,018		14,460,018	13,040,303
CHANGE IN NET ASSETS	1,490,873		1,490,873	(656,797)
NET ASSETS,				
beginning of year	(455,457)		(455,457)	201,340
NET ASSETS, end of year	\$ 1,035,416	\$	\$ 1,035,416	\$ (455,457)

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, 2023

(With Comparative Totals for December 31, 2022)

	Men's Senior National Team	Women's Senior National Team	Membership	Rugby Development	High Performance	Events	Total Program Services
Accounting fees	\$	\$	\$	\$	\$	\$	\$
Apparel	410,551	261,909	928	42,445	62,439		778,272
Awards & gifts	180	989		383			1,552
Background checks			175,980		150		176,130
Bank & processing charges	1,808	1,476	301,718	11,099	115	10	316,226
Catering	55,474	6,153		2,993		6,782	71,402
Contract labor & consulting	1,264,958	504,509	118,673	155,007	63,420		2,106,567
Credit loss			468	1,535		7,500	9,503
Depreciation	15,285	2,721					18,006
Dues & subscriptions	1,869	1,618	37,756	20,270	129	250	61,892
Employee benefits	27,678	47,536	31,807		4,306	6,705	118,032
Equipment & supplies	164,256	75,157	3,940	13,978	5,139	14,524	276,994
Facility & equipment rental & maintenance	1,077,855	593,112	643	4,782	31,616		1,708,008
Grants			153,396				153,396
Insurance	232,718	118,571	723,743		7,276		1,082,308
Legal fees	17,469	4,941	8,655	220	3,613		34,898
Match fees	2,150			12,153		3,400	17,703
Medical fees & supplies	73,256	39,873				226	113,355
Miscellaneous	28,732	20,092	3,670	3,214	5,954		61,662
Payroll taxes	28,145	41,025	41,831		9,981	4,870	125,852
Player payments	792,093	513,621					1,305,714
Postage	7,240	47,195	952	7,180	38	594	63,199
Printing	11,177	2,834		273			14,284
Software & database	128,593	61,380	105,442	80,400			375,815
Travel, lodging, meals, & transportation	1,320,686	733,358	36,138	277,746	26,583	19,983	2,414,494
TV, video, & broadcasting	350		26,808				27,158
Utilities & telephone	1,598	2,871	397	995	1,023	16	6,900
Wages	292,478	458,854	347,038		74,056	51,350	1,223,776
Website	884	549	70	30,941	60		32,504
Total expenses	<u>\$ 5,957,483</u>	<u>\$ 3,540,344</u>	<u>\$ 2,120,053</u>	<u>\$ 665,614</u>	<u>\$ 295,898</u>	<u>\$ 116,210</u>	<u>\$ 12,695,602</u>

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, 2023
(With Comparative Totals for December 31, 2022)

	National Office	Fundraising	Total Supporting Services	2023 Total Expenses	2022 Total Expenses
Accounting fees	\$ 35,659	\$	\$ 35,659	\$ 35,659	\$ 107,642
Apparel	7,702	9,020	16,722	794,994	473,143
Awards & gifts	271	791	1,062	2,614	4,430
Background checks				176,130	108,705
Bank & processing charges	941	240	1,181	317,407	34,910
Catering				71,402	158,937
Contract labor & consulting	226,292		226,292	2,332,859	2,105,789
Credit loss				9,503	2,405
Database maintenance					
Depreciation				18,006	19,322
Dues & subscriptions	14,342	3,598	17,940	79,832	76,524
Employee benefits	39,469	31,007	70,476	188,508	188,048
Equipment & supplies	948	8,423	9,371	286,365	170,438
Facility & equipment rental & maintenance	92,059	288	92,347	1,800,355	1,580,458
Grants				153,396	3,521
Insurance	73,398		73,398	1,155,706	1,094,120
Interest expense	9,730		9,730	9,730	14,327
Legal fees	226,478		226,478	261,376	219,236
Match fees				17,703	48,507
Medical fees & supplies				113,355	113,648
Miscellaneous	25,183	2,031	27,214	88,876	71,645
Payroll taxes	36,064	27,743	63,807	189,659	175,637
Player payments				1,305,714	1,164,004
Postage	20	3,447	3,467	66,666	27,043
Printing	24	920	944	15,228	19,144
Settlement					135,000
Software & database				375,815	446,890
Travel, lodging, meals, & transportation	80,921	14,700	95,621	2,510,115	2,383,947
TV, video, & broadcasting				27,158	80,249
Utilities & telephone	2,165		2,165	9,065	9,474
Wages	517,125	261,639	778,764	2,002,540	1,957,749
Website	11,778		11,778	44,282	45,411
Total expenses	<u>\$ 1,400,569</u>	<u>\$ 363,847</u>	<u>\$ 1,764,416</u>	<u>\$ 14,460,018</u>	<u>\$ 13,040,303</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, 2023

(With Comparative Totals for December 31, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,490,873	\$ (656,797)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	18,006	19,322
(Increase) decrease in operating assets:		
Accounts receivable, net	277,662	(627,730)
Due from affiliated organizations	(60,852)	(53,419)
Prepaid expenses	1,200	(231,589)
Deposits		1,600
Right-of-use assets	40,820	52,509
Increase (decrease) in operating liabilities:		
Accounts payable	(32,561)	(20,799)
Accrued liabilities	131,489	193,220
Lease liabilities	(41,327)	(51,874)
Refundable advances	258,354	
Deferred revenue	<u>333,889</u>	<u>169,636</u>
Total adjustments	<u>926,680</u>	<u>(549,124)</u>
Net cash provided (used) by operating activities	2,417,553	(1,205,921)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(77,559)</u>	<u>(5,775)</u>
Net cash used by investing activities	(77,559)	(5,775)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt, net	<u>(196,964)</u>	<u>(196,964)</u>
Net cash used by financing activities	<u>(196,964)</u>	<u>(196,964)</u>
NET INCREASE (DECREASE) IN CASH	2,143,030	(1,408,660)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,178,316</u>	<u>2,586,976</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,321,346</u>	<u>\$ 1,178,316</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, 2023

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.

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 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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 \$5,860 and \$5,335 and no income taxes paid for the years ended December 31, 2023 and 2022, respectively.

Accounts Receivable

During the year ended December 31, 2023, the Corporation implemented Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU was issued in June 2016 by the Financial Accounting Standards Board (FASB) and revises accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. On January 1, 2023, the Corporation adopted the new accounting standard and all related amendments.

The adoption of ASU 2016-13 did not impact the accompanying financial statements. The Corporation does not expect ASU 2016-13 to have a significant impact on its financial condition or results of operations on an ongoing basis.

Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. Management provides for probable uncollectible amounts through an allowance so that the net amount reflects the amount that management expects to collect. In developing that allowance, management determines statistics for the probability of loss. These statistics are based on the Corporation's historical collection experience, adjusted for management's expectations about current and future economic conditions. An allowance for credit losses of \$9,503 and \$0 was recorded at December 31, 2023 and 2022, respectively.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts receivable - continued

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 2023 were \$119,995 and \$252,893. Included in accounts receivable at December 31, 2023, is the \$128,041 grant receivable for Employee Retention Credit (ERC) (See Note F).

Depreciation

Assets are recorded at cost and depreciated using the straight-line method over estimated useful lives of three to ten years. Depreciation expense amounted to \$18,006 and \$19,322 for the years ended December 31, 2023 and 2022, 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 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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions - continued

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 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, 2023, and 2022.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

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.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 financial statements for the year ended December 31, 2022, from which the information was derived.

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

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through August 1, 2024, 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>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,321,346	\$ 1,178,316
Accounts receivable, net	405,933	683,595
Due from affiliated organizations	<u>122,020</u>	<u>61,168</u>
Total financial assets available within one year	<u>\$ 3,849,299</u>	<u>\$ 1,923,079</u>

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

Notes to Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

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

Investment income consists of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	<u>\$ 41,566</u>	<u>\$ 71</u>

D. DEFERRED REVENUE

Deferred revenue, a contract with customers liability, consists of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Membership revenue	\$ 1,173,574	\$ 1,027,215
Event participation fees	<u>187,530</u>	<u></u>
	<u>\$ 1,361,104</u>	<u>\$ 1,027,215</u>

The Corporation uses a membership year of September 1st to August 31st. At December 31, 2023 and 2022, eight months of membership revenue is deferred to the subsequent year, when applicable.

E. REFUNDABLE ADVANCES

In accordance with FASB ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), the Corporation classified conditional promises to give subject to donor-imposed conditions received prior to year-end as refundable advances. The refundable advances related to World Rugby grants were \$258,354 and \$0 at December 31, 2023 and 2022, respectively. As the Corporation satisfies the barriers and conditions set forth in the grant contracts, revenue will be recognized accordingly.

Notes to Financial Statements

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.

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.

Notes to Financial Statements

G. LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2023:

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.

\$ 252,500

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.

204,687

Total

457,187

Less current portion

(196,964)

Noncurrent portion

\$ 260,223

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

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, 2023 and 2022, consist of the following project categories:

	<u>2023</u>	<u>2022</u>
High performance grants	<u>\$ 1,742,500</u>	<u>\$ 1,732,500</u>

Notes to Financial Statements

H. AFFILIATED ORGANIZATIONS - Continued

The USOPC also provides a credit toward usage of the Chula Vista Elite Athlete Training Center. See Note H 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, 2023 and 2022, consist of the following project categories:

	<u>2023</u>	<u>2022</u>
High performance and sport development grants	\$ 4,067,750	\$ 2,236,069
Other grants	1,288,039	1,215,415
Reimbursements	250,710	294,284
Rugby world cup development	<u> </u>	<u>69,298</u>
	<u>\$ 5,606,499</u>	<u>\$ 3,815,066</u>

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, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Services:		
Credit for Chula Vista Elite Athlete Training Center	\$ 492,500	\$ 492,500
Coaching/instructing services	2,655	2,050
Travel	<u> </u>	<u>677</u>
Total in-kind services	495,155	495,227
Goods:		
Apparel	655,702	405,155
Equipment	<u>113,180</u>	<u>107,584</u>
Total in-kind goods	<u>768,882</u>	<u>512,739</u>
Total in-kind	<u>\$ 1,264,037</u>	<u>\$ 1,007,966</u>

Notes to Financial Statements

I. IN-KIND GOODS AND SERVICES - Continued

The in-kind goods and services are used primarily in the Men's National Team and Women's National Team programs. Other programs and supporting services also utilize some apparel and equipment.

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, 2023 and 2022, the Corporation made matching contributions to the Plan totaling \$15,766 and \$13,341, respectively.

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.

Notes to Financial Statements

K. OPERATING LEASE AGREEMENTS - Continued

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 two 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 ran through May 31, 2022. The lease required monthly payments of \$4,908.

In June 2022, the Corporation transitioned into a month-to-month lease for the general office space. The lease requires monthly base payments of \$6,615 and additional payments for common area expenses and parking rent.

The Corporation leases apartments for athlete use in various locations. The lease terms are 12 months or less and typically include rent and related expenses such as utilities and parking. The number of leases varies based upon the need for athlete housing.

Notes to Financial Statements

K. OPERATING LEASE AGREEMENTS - Continued

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

	<u>2023</u>	<u>2022</u>
Operating lease rent, included in:		
Program service expenses	\$ 41,234	\$ 41,238
Supporting services expenses		12,190
Variable payments, included in:		
Program service expenses	5,719	6,627
Supporting services expenses	8,293	8,091
Short-term lease rent, included in		
Program service expenses	506,554	154,606
Supporting services expenses	<u>82,500</u>	<u>86,231</u>
Total lease cost	<u>\$ 644,300</u>	<u>\$ 308,983</u>

The following summarizes lease term and discount rate for operating leases as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating Leases:		
Weighted Average Remaining		
Lease Term	0.25 years	1.33 years
Weighted Average Discount Rate	1.26%	1.26%

Maturities of operating leases as of the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
2023	\$	\$ 41,740
2024	<u>10,435</u>	<u>10,435</u>
Total lease payments	10,435	52,175
Less: interest	<u>(22)</u>	<u>(435)</u>
Present value of lease liabilities	<u>\$ 10,413</u>	<u>\$ 51,740</u>

Notes to Financial Statements

K. OPERATING LEASE AGREEMENTS - Continued

Supplemental cash flow information for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating cash flows:		
Cash paid for amounts included in measurement of lease liabilities for operating leases	<u>\$ 41,740</u>	<u>\$ 52,793</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, 2023, are either without merit or will not exceed insurance limits.

N. UNCERTAINTIES

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.