

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

**Financial Statements &
Supporting Schedules**

For the Year Ended December 31, 2012

TABLE OF CONTENTS

Independent Auditors' Report	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Cash Flows	5
Notes to Financial Statements	6
Schedule of Program Services	12
Schedule of Supporting Services	13

INDEPENDENT AUDITORS' REPORT

The Board of Directors
United States of America Rugby Football Union, Ltd.
United States of America Rugby Charitable Foundation
Boulder, Colorado

We have audited the accompanying consolidated financial statements of United States of America Rugby Football Union, Ltd. (a nonprofit organization) and United States of America Rugby Charitable Foundation, which comprise the consolidated statements of financial position as of December 31, 2012, and the related consolidated statements of activities and changes in net assets and of 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.

Auditors' 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 United States of America Rugby Charitable Foundation, as of December 31, 2012, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program and supporting services are presented for purposes of additional analysis and are 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.

Wang & Goodwin, LLP
Colorado Springs, Colorado
April 30, 2013

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
UNITED STATES OF AMERICA RUGBY CHARITABLE FOUNDATION
Consolidated Statement of Financial Position
December 31, 2012

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 469,828
Accounts receivable	668,237
Due from USOC	5,000
Contributions receivable	15,200
Inventory	7,344
Prepaid expenses	<u>471,358</u>
Total current assets	1,636,967
LONG-TERM INVESTMENTS	143,129
FURNITURE AND EQUIPMENT:	
Furniture and equipment	336,905
Leasehold improvements	3,200
Website	83,441
Software	101,014
Less accumulated depreciation	<u>(391,155)</u>
Furniture and equipment - net	133,405
OTHER ASSET:	
Deposits	<u>21,575</u>
TOTAL ASSETS	<u>\$ 1,935,076</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 507,604
Due to USOC	29,010
Accrued payroll and taxes	145,349
Deferred revenue	<u>1,779,897</u>
Total liabilities	2,461,860
NET ASSETS:	
Unrestricted	(556,784)
Temporarily restricted	<u>30,000</u>
Total net assets	<u>(526,784)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,935,076</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
UNITED STATES OF AMERICA RUGBY CHARITABLE FOUNDATION
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Totals
REVENUE:			
Membership dues	\$ 4,252,437	\$	\$ 4,252,437
High performance grants	1,668,285		1,668,285
Corporate sponsorship	1,621,874		1,621,874
Event revenue	1,050,763		1,050,763
In-kind contributions	460,000		460,000
Rugby development	457,877		457,877
Licensing	353,158		353,158
Donations	277,119	30,000	307,119
Merchandise sales net of cost of goods sold of \$50,137	38,384		38,384
Other income	30,107		30,107
Interest & dividends	930		930
Total revenue	10,210,934	30,000	10,240,934
EXPENSES:			
Program services:			
Men's senior national team	1,937,419		1,937,419
High performance	1,778,108		1,778,108
Rugby development	1,547,194		1,547,194
Events	1,255,503		1,255,503
Membership	985,944		985,944
Women's senior national team	896,755		896,755
Total program services	8,400,923		8,400,923
Supporting services:			
National office	1,268,640		1,268,640
Media & marketing	282,376		282,376
Fundraising	89,942		89,942
Total supporting services	1,640,958		1,640,958
Total expenses	10,041,881		10,041,881
CHANGE IN NET ASSETS	169,053	30,000	199,053
NET ASSETS, beginning of year	(725,837)		(725,837)
NET ASSETS, end of year	\$ (556,784)	\$ 30,000	\$ (526,784)

See Notes to Financial Statements

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
UNITED STATES OF AMERICA RUGBY CHARITABLE FOUNDATION
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 199,053
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	58,252
Changes in assets and liabilities:	
Increase in prepaid expenses	(244,216)
Decrease in inventory	5,221
Increase in accounts receivable	(385,993)
Decrease in contributions receivable	20,000
Increase in accounts payable	241,319
Increase in payroll liabilities	84,155
Increase in deferred revenue	<u>159,703</u>
Total adjustments	<u>(61,559)</u>
Net cash provided by operating activities	137,494
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of furniture & equipment	(121,337)
Change in investments, net	<u>(619)</u>
Net cash used by investing activities	<u>(121,956)</u>
NET INCREASE IN CASH	15,538
CASH AND CASH EQUIVALENTS, beginning of year	<u>454,290</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 469,828</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
UNITED STATES OF AMERICA RUGBY CHARITABLE FOUNDATION

Notes to Financial Statements

For the Year Ended December 31, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of United States of America Rugby Football Union, Ltd. (the Corporation) are being presented on a consolidated basis with USA Rugby Charitable Foundation (the Foundation) in order to conform to the requirements of Financial Accounting Standards Board ASC 958. The accounting standards require consolidation when a nonprofit organization has a financial interest and controls the appointment of a majority of the board of directors of another nonprofit entity.

All inter-organizational accounts have been eliminated in the accompanying financial statements.

Organization

USA Rugby Football Union, Ltd. 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 is an official member of the United States Olympic Committee (USOC) and the International Rugby Board (IRB). The Corporation has approximately 110,000 members and is responsible for the development of the boys, girls, high school, collegiate and club athletic programs, and ultimately the ten national teams representing the U.S. in international competitions. USA Rugby's current structure comprises one Territorial Union, six Local Area Unions, thirty-eight State Rugby Organizations and 105 college conferences that compete for regional and National Championships. The Corporation's national office is located in Boulder, Colorado.

The Foundation was formed in 2002 as a Pennsylvania nonprofit corporation and is a supporting organization for USA Rugby. USA Rugby appoints the Foundation's Board of Directors.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's and Foundation's checking and savings accounts.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Supplemental Cash Flow Disclosure

Cash flows from operating activities reflect interest paid of \$982 and no income taxes paid for the year ended December 31, 2012.

Accounts Receivable

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 realization losses on balances outstanding at year-end will be immaterial. Therefore, no allowance for doubtful accounts is considered necessary.

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 \$58,252 for the year ended December 31, 2012.

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.

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. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions.

Donated Services

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

Notes to Financial Statements

A. 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, for the years ending 2009 to 2012 are subject to examination by various taxing authorities, generally for three years after the date they were filed. Management of the Corporation and Foundation believe that they do not have any uncertain tax positions that are material to the financial statements.

Date of Management's Review

In preparing the financial statements, the Corporation and Foundation have evaluated events and transactions for potential recognition or disclosure through April 30, 2013, the date that the financial statements were available to be issued.

B. INVESTMENTS

The Corporation 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 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 Corporation 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.

Notes to Financial Statements

B. INVESTMENTS - continued

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, 2012:

Assets at Fair Value as of December 31, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government securities	\$ 136,642	\$	\$	\$ 136,642
Cash	6,487	_____	_____	6,487
	<u>\$ 143,129</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 143,129</u>

C. LINES OF CREDIT

USA Rugby has two lines of credit available from commercial banks. The first is a \$150,000 line that carries interest at prime plus 1% and is due on demand. The second is a \$275,000 line that is secured by all business assets and carries interest at LIBOR plus 4.771% and matures on June 10, 2013. There were no outstanding borrowings under either of the lines of credit at December 31, 2012.

D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2012:

Membership revenue	\$ 1,740,345
Referee educator conference	20,072
National development summit	16,130
Medical symposium	3,350
	<u>\$ 1,779,897</u>

USA Rugby uses a membership year of September 1 to August 31. At December 31, 2012 eight months of membership revenue is deferred to 2013.

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2012:

Men's Sevens additional events	<u>\$ 30,000</u>
--------------------------------	------------------

Notes to Financial Statements

F. RELATED PARTY TRANSACTIONS

The USOC provided grants to the Corporation as follows:

High Performance grant	\$ 517,000
Value-in-kind	33,008
Strategic planning	7,500
Special grant	<u>5,000</u>
	<u>\$ 562,508</u>

The IRB provided grants to the Corporation as follows:

High Performance grant	\$ 980,777
Junior World Trophy Event grant	363,762
Rugby Development grant	283,588
HSBC SWS Core Team Fee	<u>130,000</u>
	<u>\$ 1,758,127</u>

G. IN-KIND CONTRIBUTIONS

The Corporation received in-kind donations from various sponsors during the year ended December 31, 2012. In-kind donations recorded in the Corporation's financial statements are \$350,000 from Canterbury in apparel, \$65,000 from Gatorade in drinks and merchandise and \$45,000 from Gilbert in balls and equipment.

H. 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 year ended December 31, 2012, the Corporation made matching contributions to the Plan totaling \$7,092.

I. LITIGATION

The Corporation was named defendant in a wrongful death case. The case was settled in April 2013. The Corporation's insurance carrier paid all legal costs and the settlement amount. The Corporation has no liability in this matter and therefore none has been recorded in the financial statements.

Notes to Financial Statements

J. OPERATING LEASE AGREEMENTS

The Corporation leases an office and warehouse in Boulder, Colorado and a postage meter and copier. The term for the office lease is April 1, 2007 through June 30, 2014 with a starting monthly rate of \$5,437, increasing each year. The term for the warehouse lease is May 8, 2008 to June 30, 2014 at a monthly rate of \$2,400. The postage meter lease requires quarterly payments of \$561 through December 31, 2013. The copier lease runs from May 1, 2012 to May 1, 2016 at a monthly rate of \$289.

The future minimum lease payments for the years ended December 31 are as follows:

2013	\$	101,554
2014		52,291
2015		3,467
2016		867

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
 UNITED STATES OF AMERICA RUGBY CHARITABLE FOUNDATION

Schedule of Program Services

For the Year Ended December 31, 2012

	Men's Senior National Team	High Performance	Rugby Development	Events	Membership	Women's Senior National Team	Total
Advertising	\$ 49	\$ 5,377	\$	\$ 43,263	\$	\$	\$ 48,689
Apparel	301,876	100,908	14,494	18,274		105,825	541,377
Awards & gifts	31	2,117	2,046	24,447		771	29,412
Background checks					56,423		56,423
Bank charges					72,803		72,803
Clinic host reimbursements			16,240				16,240
Conferences	305,101	5,585	4,859				10,444
Contract labor		120,150					624,007
Cost share		36,196					36,196
Database maintenance					15,000		15,000
Dues & subscriptions	2,899	18,925	1,416	2,236		2,899	28,990
Employee benefits	13,987	20,571	50,783	10,304	15,711	20,057	131,413
Event branding				18,744			18,744
Equipment rental & maintenance	46,569	70,432		42,964	1,759	20,637	182,361
Grants			321,733				321,733
Graphic design fees		10,000		472			14,133
Honorarium			20,800				20,800
Hosting					14,400		14,400
HP investment	92,187	30,458			689,224	25,288	30,458
Insurance	796	2,146					808,845
Legal		120					916
Miscellaneous	2,736		4,308	4,060	1,696	65	12,865
Payroll taxes	14,169	14,216	35,538	7,484	9,017	16,800	97,224
Player fees		(83,203)				(29,910)	(113,113)
Postage	20,426	30,276	13,426	36,330	274	9,378	110,110
Printing	121	777	42,168	7,235	201	119	50,621
Professional fees	207,221	10,136		21,079		6,620	245,056
Rent - warehouse		27,128					27,128
Services			11,097				11,097
Stadiums				296,649			296,649
Supplies	5,622	9,100	26,762	40,829		6,269	88,582
Telephone	9,085	9,110	5,386	1,546		3,372	28,499
Training		5,668					5,668
Travel, lodging & transportation	730,951	1,098,633	403,686	577,930	2,830	362,482	3,176,512
TV & broadcasting			26,142	3,020			29,162
Utilities							874
Video			8,000				8,000
Wages	183,593	232,408	485,070	98,637	105,991	147,327	1,253,026
Website			4,306				4,306
Youth event expenses			45,273				45,273
	<u>\$ 1,937,419</u>	<u>\$ 1,778,108</u>	<u>\$ 1,547,194</u>	<u>\$ 1,255,503</u>	<u>\$ 985,944</u>	<u>\$ 896,755</u>	<u>\$ 8,400,923</u>

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
Schedule of Supporting Services
For the Year Ended December 31, 2012

	National Office	Media & Marketing	Fundraising	Total
Advertising	\$	\$ 8,145	\$	\$ 8,145
Apparel	776			776
Awards & gifts	388	1,705	2,669	4,762
Bank charges	12,701	20		12,721
Conferences	7,580			7,580
Database maintenance			1,750	1,750
Depreciation expense	58,252			58,252
Dues & subscriptions	9,038	1,501	260	10,799
Employee benefits	21,313	7,977	4,144	33,434
Event branding		23,858		23,858
Equipment rental & maintenance	35,208	5,863	728	41,799
Graphic design fees			752	752
Hosting	8,394	595		8,989
Insurance	194,060			194,060
Interest expense	982			982
Legal settlement	225,000			225,000
Miscellaneous	1,954	2,577	340	4,871
Payroll taxes	20,432	12,637	4,434	37,503
Postage	4,167	1,060	495	5,722
Printing	2,571	234	2,220	5,025
Professional fees	138,521	715		139,236
Rent	63,701			63,701
Telephone	16,965	2,317	788	20,070
Travel, lodging & transportation	31,094	83,338	12,054	126,486
Utilities	60,953			60,953
Wages	354,590	129,834	59,308	543,732
	<u>\$ 1,268,640</u>	<u>\$ 282,376</u>	<u>\$ 89,942</u>	<u>\$ 1,640,958</u>