

**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, 2013

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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, 2013, 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, 2013, 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.

Report on Summarized Comparative Information

We have previously audited consolidated financial statements of United States of America Rugby Football Union, Ltd. (a nonprofit organization) and United States of America Rugby Charitable Foundation's 2012 financial statements, and our report dated April 30, 2013, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
May 12, 2014

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
UNITED STATES OF AMERICA RUGBY CHARITABLE FOUNDATION
Consolidated Statement of Financial Position
December 31, 2013
(With Comparative Amounts for 2012)

	<u>ASSETS</u>	
	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 424,907	\$ 469,828
Accounts receivable	312,329	668,237
Due from USOC		5,000
Contributions receivable		15,200
Inventory	8,204	7,344
Prepaid expenses	<u>643,291</u>	<u>471,358</u>
Total current assets	1,388,731	1,636,967
LONG-TERM INVESTMENTS	150,518	143,129
FURNITURE AND EQUIPMENT:		
Furniture and equipment	183,081	336,905
Leasehold improvements	3,200	3,200
Website	27,871	83,441
Software	64,554	101,014
Less accumulated depreciation	<u>(155,838)</u>	<u>(391,155)</u>
Furniture and equipment - net	122,868	133,405
OTHER ASSET:		
Deposits	<u>21,575</u>	<u>21,575</u>
TOTAL ASSETS	<u>\$ 1,683,692</u>	<u>\$ 1,935,076</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 361,113	\$ 507,501
Due to USOC		29,010
Accrued payroll and taxes	163,709	145,452
Deferred revenue	<u>1,674,244</u>	<u>1,779,897</u>
Total liabilities	2,199,066	2,461,860
NET ASSETS:		
Unrestricted	(527,526)	(556,784)
Temporarily restricted	<u>12,152</u>	<u>30,000</u>
Total net assets	<u>(515,374)</u>	<u>(526,784)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,683,692</u>	<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, 2013
(With Comparative Totals for 2012)

	Unrestricted	Temporarily Restricted	2013 Totals	2012 Totals
REVENUE:				
Membership dues	\$ 4,336,267	\$	\$ 4,336,267	\$ 4,252,437
Corporate sponsorship	1,863,371		1,863,371	1,621,874
Event revenue	1,812,716		1,812,716	1,050,763
High performance grants	1,697,002		1,697,002	1,668,285
Donations	761,592	12,152	773,744	307,119
Rugby development	535,905		535,905	457,877
In-kind contributions	517,500		517,500	460,000
Licensing	366,182		366,182	353,158
Merchandise sales net of cost of goods sold of \$127,201 and \$50,137	199,629		199,629	38,384
Other income	59,344		59,344	30,107
Investment income (loss)	(2,283)		(2,283)	930
Satisfied program restrictions	30,000	(30,000)		
Total revenue	12,177,225	(17,848)	12,159,377	10,240,934
EXPENSES:				
Program services:				
Men's senior national team	2,543,955		2,543,955	1,937,419
Rugby development	2,222,377		2,222,377	1,547,194
Events	1,735,921		1,735,921	1,255,503
High performance	1,383,789		1,383,789	1,778,108
Membership	1,273,485		1,273,485	985,944
Women's senior national team	1,108,020		1,108,020	896,755
Total program services	10,267,547		10,267,547	8,400,923
Supporting services:				
National office	991,133		991,133	1,268,640
Media & marketing	685,226		685,226	282,376
Fundraising	204,061		204,061	89,942
Total supporting services	1,880,420		1,880,420	1,640,958
Total expenses	12,147,967		12,147,967	10,041,881
CHANGE IN NET ASSETS	29,258	(17,848)	11,410	199,053
NET ASSETS, beginning of year	(556,784)	30,000	(526,784)	(725,837)
NET ASSETS, end of year	\$ (527,526)	\$ 12,152	\$ (515,374)	\$ (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, 2013
(With Comparative Amounts for 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 11,410	\$ 199,053
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	67,097	58,252
Changes in assets and liabilities:		
Decrease in accounts receivable	360,908	(385,993)
Increase in prepaid expenses	(171,933)	(244,216)
Increase in inventory	(860)	5,221
Decrease in contributions receivable	15,200	20,000
Decrease in accounts payable	(175,398)	241,319
Increase in payroll liabilities	18,257	84,155
Decrease in deferred revenue	(105,653)	159,703
Total adjustments	<u>7,618</u>	<u>(61,559)</u>
Net cash provided by operating activities	19,028	137,494
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture & equipment	(56,560)	(121,337)
Change in investments, net	<u>(7,389)</u>	<u>(619)</u>
Net cash used by investing activities	<u>(63,949)</u>	<u>(121,956)</u>
NET INCREASE (DECREASE) IN CASH	(44,921)	15,538
CASH AND CASH EQUIVALENTS, beginning of year	<u>469,828</u>	<u>454,290</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 424,907</u>	<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, 2013

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 \$2,350 and \$982 and no income taxes paid for the years ended December 31, 2013 and 2012, respectively.

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 \$67,097 and \$58,252 for the years ended December 31, 2013 and 2012, 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.

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, 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.

Prior-Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense 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, 2012, from which the summarized information was derived.

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 May 12, 2014, 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:

Notes to Financial Statements

B. INVESTMENTS - Continued

- 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.

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, 2013 and 2012:

Assets at Fair Value as of December 31, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$ 104,231	\$	\$	\$ 104,231
Cash	29,249			29,249
Equities	10,237			10,237
Mutual funds	6,801			6,801
	<u>\$ 150,518</u>	<u>\$</u>	<u>\$</u>	<u>\$ 150,518</u>

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>

Investment income (loss) in the accompanying statement of activities consists of the following for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 975	\$ 930
Unrealized loss	<u>(3,258)</u>	<u></u>
	<u>\$ (2,283)</u>	<u>\$ 930</u>

Notes to Financial Statements

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 \$350,000 line that is secured by all business assets and carries interest at LIBOR plus 5.716% and matures on November 13, 2014. As of December 31, 2013 and 2012, there were no outstanding borrowings under either of the lines of credit.

D. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Membership revenue	\$ 1,657,720	\$ 1,740,345
National development summit	8,175	16,130
Medical symposium	5,680	3,350
Event revenue	2,669	
Referee educator conference		<u>20,072</u>
	<u>\$ 1,674,244</u>	<u>\$ 1,779,897</u>

USA Rugby uses a membership year of September 1 to August 31. At December 31, 2013 eight months of membership revenue is deferred to 2014.

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 and 2012 consist of contributions received for the following purposes:

	<u>2013</u>	<u>2012</u>
Don Morrison Fund	\$ 12,152	\$
Men's Sevens additional events		<u>30,000</u>
	<u>\$ 12,152</u>	<u>\$ 30,000</u>

During the year ended December 31, 2013, the Corporation spent \$30,000 for the Men's Sevens additional events.

Notes to Financial Statements

F. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2013 and 2012, the United States Olympic Committee (USOC) provided grants to the Corporation under the following project categories:

	<u>2013</u>	<u>2012</u>
High performance grant	\$ 559,300	\$ 517,000
Value-in-kind	35,165	33,008
Special grant	25,000	5,000
Strategic planning	<u> </u>	<u>7,500</u>
	<u>\$ 619,465</u>	<u>\$ 562,508</u>

The IRB provided grants to the Corporation as follows:

	<u>2013</u>	<u>2012</u>
High performance grant	\$ 972,537	\$ 980,777
Rugby Development grant	282,090	283,588
HSBC SWS Core Team Fee	130,000	130,000
Other grants	45,000	<u> </u>
Junior World Trophy Event grant	<u> </u>	<u>363,762</u>
	<u>\$ 1,429,627</u>	<u>\$ 1,758,127</u>

G. IN-KIND CONTRIBUTIONS

The Corporation received in-kind donations from various sponsors. In-kind donations recorded in the Corporation's financial statements are \$517,500 and \$460,000 for the years ended December 31, 2013 and 2012, respectively.

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 years ended December 31, 2013 and 2012, the Corporation made matching contributions to the Plan totaling \$11,785 and \$7,092.

Notes to Financial Statements

I. LITIGATION

The Corporation was named a defendant in a wrongful death case which 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.

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 \$508 and expires on January 31, 2016. 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:

2014	\$	54,323
2015		5,500
2016		1,375

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, 2013

	Men's Senior National Team	Rugby Development	Events	High Performance	Membership	Women's Senior National Team	Total
Advertising							
Apparel	\$ 281,558	\$ 9,664	\$ 126,105	\$ 1,272	\$	\$ 105,268	\$ 137,041
Awards & gifts	346	30,412	26,595	110,340	126	12	554,299
Background checks		2,075	18,887	978			22,298
Bank charges					47,141		47,141
Clinic host reimbursements	54				70,131	51	70,236
Conferences		29,129					29,129
Contract labor		2,890					2,890
Database maintenance	486,010	181,875	17,658	138,625		292,843	1,117,011
Depreciation					7,250		7,250
Dues & subscriptions	24,109	6,709	3,241	2,663	5,125	2,847	44,694
Employee benefits	7,433	4,141	1,109	6,722	2,460	1,313	23,178
Equipment rental & maintenance	26,223	63,749	17,408	14,650	13,793	25,473	161,296
Facilities rental	42,178		47,145	51,720	911	22,219	164,173
Grants	5,549	24,415	27,771			7,191	64,926
Graphic design fees		329,728					329,728
Hosting		4,535	885	60			5,480
Insurance	209,205			2,925	40,637	94,871	1,274,058
Legal					967,057	3,269	3,269
Miscellaneous	14,293	6,258	2,146	2,890	203	79	25,869
Payroll taxes	28,619	45,701	11,686	16,887	8,279	15,427	126,599
Postage	14,797	15,489	21,536	26,726		3,734	82,282
Printing	100	60,572	35,083	553	155	138	96,601
Professional fees	27,413	3,133	20,211			12,964	63,721
Rent - office				28,800			28,800
Stadiums		26,356	492,134				518,490
Supplies		40,186		35			40,221
Telephone	7,241	6,221	841	8,426		2,473	25,223
Travel, lodging & transportation	1,021,655	736,521	664,726	683,312	1,581	332,079	3,439,874
TV & broadcasting		15,750	60,555				76,305
Utilities				706			706
Video		8,929					8,929
Wages	347,172	589,649	143,555	257,678	108,615	185,769	1,632,438
Website		2,705		50			2,755
	<u>\$ 2,543,955</u>	<u>\$ 2,222,377</u>	<u>\$ 1,735,921</u>	<u>\$ 1,383,789</u>	<u>\$ 1,273,485</u>	<u>\$ 1,108,020</u>	<u>\$ 10,267,547</u>

UNITED STATES OF AMERICA RUGBY FOOTBALL UNION, LTD.
UNITED STATES OF AMERICA RUGBY CHARITABLE FOUNDATION
Schedule of Supporting Services
For the Year Ended December 31, 2013

	National Office	Media & Marketing	Fundraising	Total
Advertising	\$	\$ 17,975	\$	\$ 17,975
Apparel	1,568	63,254	69	64,891
Awards & gifts	5,442	87	366	5,895
Bank charges	16,297	60	2,090	18,447
Conferences	6,910			6,910
Contract labor		14,491		14,491
Database maintenance			2,924	2,924
Depreciation expense	22,316		87	22,403
Dues & subscriptions	13,020	7,063	10,574	30,657
Employee benefits	24,588	18,327	6,545	49,460
Event branding		15,049		15,049
Equipment rental & maintenance	44,742	7,108	249	52,099
Graphic design fees			352	352
Hosting	8,835	1,113		9,948
Insurance	220,419		1,304	221,723
Interest expense	2,350			2,350
Miscellaneous	(11,632)	7,966	2,514	(1,152)
Payroll taxes	19,886	24,778	5,594	50,258
Postage	4,103	4,086	612	8,801
Printing	2,390	1,837	4,194	8,421
Professional fees	61,510	5,000	450	66,960
Rent	64,690	500	2,505	67,695
Telephone	19,530	5,875	855	26,260
Travel, lodging & transportation	36,966	184,496	92,217	313,679
Utilities	63,395	21	22	63,438
Wages	363,808	306,140	70,538	740,486
	<u>\$ 991,133</u>	<u>\$ 685,226</u>	<u>\$ 204,061</u>	<u>\$ 1,880,420</u>