

**United States Soccer Federation  
Foundation, Inc.**

Financial Report  
June 30, 2010

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## Independent Auditor's Report

To the Board of Directors  
United States Soccer Federation Foundation, Inc.  
Washington, D.C.

We have audited the accompanying balance sheets of United States Soccer Federation Foundation, Inc. (the Foundation) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Soccer Federation Foundation, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 2, the financial statements include investments valued at \$11,245,057 (22% of net assets), whose values have been estimated by management in the absence of readily determinable values.

*McGladrey & Pullen, LLP*

Vienna, Virginia  
November 4, 2010

**United States Soccer Federation Foundation, Inc.**

**Balance Sheets**  
**June 30, 2010 And 2009**

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Cash And Cash Equivalents	\$ 95,814	\$ 2,874,477
Contributions Receivable	1,973,510	1,419,326
Investments	51,185,446	49,265,995
AYSO Note Receivable	750,620	903,273
Property And Equipment, net	110,412	97,551
Other Assets	251,457	79,788
	<u>\$ 54,367,259</u>	<u>\$ 54,640,410</u>
<b>Liabilities And Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 113,968	\$ 981,547
Grants payable	3,308,530	3,409,451
Line of credit payable	-	2,893,272
Deferred rent	76,239	42,260
	<u>3,498,737</u>	<u>7,326,530</u>
Commitments And Contingency (Notes 5, 8, And 9)		
<b>Net Assets</b>		
Unrestricted	50,484,054	46,995,282
Temporarily restricted	384,468	318,598
	<u>50,868,522</u>	<u>47,313,880</u>
	<u>\$ 54,367,259</u>	<u>\$ 54,640,410</u>

See Notes To Financial Statements.

United States Soccer Federation Foundation, Inc.

Statements Of Activities

Years Ended June 30, 2010 And 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Contributions	\$ 2,981,306	\$ 65,870	\$ 3,047,176	\$ 1,746,016	\$ 35,432	\$ 1,781,448
Investment income	539,525	-	539,525	612,857	18,269	631,126
Rescinded grants	358,317	-	358,317	1,006,752	-	1,006,752
In-kind contributions	328,411	-	328,411	432,177	-	432,177
Other income	15,029	-	15,029	1,700	-	1,700
Net assets released from restrictions	-	-	-	983,331	(983,331)	-
<b>Total revenue and support</b>	<b>4,222,588</b>	<b>65,870</b>	<b>4,288,458</b>	<b>4,782,833</b>	<b>(929,630)</b>	<b>3,853,203</b>
Expenses:						
Program services:						
Grants	3,740,653	-	3,740,653	2,774,181	-	2,774,181
MLS awareness	-	-	-	983,331	-	983,331
Communications	477,872	-	477,872	334,662	-	334,662
Government relations	148,217	-	148,217	173,749	-	173,749
	<b>4,366,742</b>	<b>-</b>	<b>4,366,742</b>	<b>4,265,923</b>	<b>-</b>	<b>4,265,923</b>
Supporting services:						
Management and general	476,749	-	476,749	851,691	-	851,691
Development	992,423	-	992,423	562,576	-	562,576
	<b>1,469,172</b>	<b>-</b>	<b>1,469,172</b>	<b>1,414,267</b>	<b>-</b>	<b>1,414,267</b>
<b>Total expenses</b>	<b>5,835,914</b>	<b>-</b>	<b>5,835,914</b>	<b>5,680,190</b>	<b>-</b>	<b>5,680,190</b>
<b>Change in net assets before market value adjustment on investments</b>	<b>(1,613,326)</b>	<b>65,870</b>	<b>(1,547,456)</b>	<b>(897,357)</b>	<b>(929,630)</b>	<b>(1,826,987)</b>
Realized and unrealized gains (losses) on investments	5,102,098	-	5,102,098	(16,649,164)	-	(16,649,164)
<b>Change in net assets</b>	<b>3,488,772</b>	<b>65,870</b>	<b>3,554,642</b>	<b>(17,546,521)</b>	<b>(929,630)</b>	<b>(18,476,151)</b>
Net assets:						
Beginning	46,995,282	318,598	47,313,880	64,541,803	1,248,228	65,790,031
Ending	<b>\$ 50,484,054</b>	<b>\$ 384,468</b>	<b>\$ 50,868,522</b>	<b>\$ 46,995,282</b>	<b>\$ 318,598</b>	<b>\$ 47,313,880</b>

See Notes To Financial Statements.

United States Soccer Federation Foundation, Inc.

Statements Of Cash Flows  
Years Ended June 30, 2010 And 2009

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	\$ 3,554,642	\$ (18,476,151)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	25,152	14,950
Realized and unrealized (gains) losses on investments	(5,102,098)	16,649,164
Settlement of principal and accrued interest through in-kind services	-	983,331
Deferred rent	33,979	27,225
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(554,184)	(1,378,829)
Interest accrued on MLS note receivable	-	(18,269)
Other assets	(171,669)	(12,452)
Increase (decrease) in:		
Accounts payable and accrued expenses	(867,579)	935,989
Grants payable	(100,921)	(1,691,021)
Player development grant	-	(2,750,000)
<b>Net cash used in operating activities</b>	<b>(3,182,678)</b>	<b>(5,716,063)</b>
Cash Flows From Investing Activities		
Proceeds from sales of investments	29,842,095	36,910,237
Purchases of investments	(26,659,448)	(31,933,734)
Purchases of equipment	(38,013)	(41,138)
Collections on note receivable – AYSO	152,653	142,079
<b>Net cash provided by investing activities</b>	<b>3,297,287</b>	<b>5,077,444</b>
Cash Flows From Financing Activities		
Net (repayments) borrowings on line of credit	(2,893,272)	2,499,052
<b>Net cash (used in) provided by financing activities</b>	<b>(2,893,272)</b>	<b>2,499,052</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(2,778,663)</b>	<b>1,860,433</b>
Cash And Cash Equivalents		
Beginning	2,874,477	1,014,044
Ending	<b>\$ 95,814</b>	<b>\$ 2,874,477</b>
Supplemental Disclosure Of Cash Flow Information		
Cash paid for interest	<b>\$ 23,914</b>	<b>\$ 49,182</b>
Supplemental Schedule Of Noncash Investing And Financing Activities		
Settlement of principal and interest on MLS note receivable through receipt of in-kind services	<b>\$ -</b>	<b>\$ 983,331</b>

See Notes To Financial Statements.

## United States Soccer Federation Foundation, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: United States Soccer Federation Foundation, Inc. (the Foundation) is a nonprofit and nonstock corporation that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to encourage broad-based, grassroots support and contributions for the sport of soccer and to foster interest and enthusiasm in the sport. The Foundation, by agreement with World Cup USA 1994, Inc. (WCOC) was the residual beneficiary of the net proceeds derived from the 1994 World Cup soccer tournament. As of June 30, 2010, the Foundation has received over \$55,000,000 in contributions from the WCOC. No additional funds are expected to be received from the WCOC.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The Foundation uses the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards (FASB) Codification. As required by the Non-Profit Entities topic of the FASB Accounting Standard Codification, *Financial Statements of Not-for-Profit Organizations*, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are no permanently restricted net assets at June 30, 2010 and 2009.

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation considers cash and cash equivalents to include all highly liquid deposits with original maturities of three months or less.

Contributions receivable: Contributions receivable are carried at present value less an estimate made for doubtful contributions receivable based on a review of all outstanding balances on a monthly basis. Management determines the allowance for doubtful contributions receivable by using the historical experience applied to an aging of the contributions receivable. Receivables are written off when deemed uncollectible. All contributions receivable are expected to be collected in the subsequent year; consequently, no discount rate has been applied. Based on management's evaluation of the collectability of receivables, there is no provision for doubtful promises at June 30, 2010 and 2009.

Investments: Investments are carried at fair market value. Fair market value is determined using quoted market prices. Investment income or loss is included in the change in unrestricted net assets, unless the income is restricted by donor or law.

Equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Realized and unrealized gains and losses are recorded as a component of investment income in the statements of activities. The fair value of investments is estimated using quoted market prices, except for alternative investments for which quoted market prices are not available. Investments in investment partnerships are valued at fair value based on the applicable percentage ownership of the underlying partnerships' net assets as of the measurement date, as determined by the Foundation. In determining fair value, the Foundation utilizes valuations provided by the fund manager of the underlying investment partnerships. The underlying investment partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the Foundation of the respective other investment partnership and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

## United States Soccer Federation Foundation, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Investments (continued): The fair value of the Foundation's investments in other investment partnerships generally represents the amount the Foundation would expect to receive if it were to liquidate its investment in the investment partnerships excluding any redemption charges that may apply. The Foundation may adjust the respective manager's valuation when circumstances support such an adjustment.

Financial risk: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash. The Foundation invests in professionally managed portfolios that contain common shares of publicly traded companies, hedge funds, and private equity funds. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to change in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Property and equipment: Purchased equipment and software are stated at cost. The Foundation follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500. Betterments and improvements that significantly extend an asset's life are capitalized. Depreciation is recorded using the straight line method over an estimated useful life of three to seven years. Leasehold improvements are stated at cost and amortized over the life of the lease.

Valuation of long-lived assets: The Foundation accounts for the valuation of long-lived assets in accordance with the FASB Codification. As required by the Non-Profit Entities topic of the FASB Accounting Standards Codification, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Net assets: Net assets are classified as being either unrestricted or temporarily restricted depending upon any donor stipulated restrictions.

Revenue and support recognition: To date, a significant amount of the Foundation's contribution revenue has been from the WCOG. The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or are unavailable for use due to uncollected amounts or time restrictions. When the restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unrestricted gifts of cash and other assets are recorded in revenue, gains and other support when received or in the period in which such amounts are estimable. Revenues from special events are recognized at the time the event occurs. Amounts received in advance are recorded as deferred revenue.

## United States Soccer Federation Foundation, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Contributed services: The Foundation received \$328,411 and \$432,177 of contributed in-kind services during 2010 and 2009, respectively. Contributed services are recorded at their fair market value when received.

Functional allocation of expenses: The costs of providing for the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited as follows:

*Grants* – Represents grants made to soccer organizations and all expenses associated with grant administration.

*Communications* – All expenses associated with fostering public interest and enthusiasm in the sport of soccer.

*Government relations* – All expenses associated with encouraging federal, state and local support for the sport of soccer as a vehicle for improving health, social, and youth development outcomes as well as securing financial support from federal agencies and Congress in support of those activities.

*MLS awareness* – A development and public awareness campaign utilizing Major League Soccer's (MLS) events, athletes, access to soccer fans and various media channels in partial payment of the MLS note.

*Management and general* – All other operating expenses incurred by the Foundation in the accomplishment of its tax exempt purposes.

*Development* – All expenses associated with raising funds for the Foundation.

Income taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Income from nonexempt functions is subject to income taxes to the extent that the revenue exceeds related costs. No net income was taxable in 2010 or 2009; accordingly, no provision has been made for either federal or state income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service (IRS) not to be a private foundation.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Foundation would be liable for income taxes in the U.S. federal jurisdiction. With few exceptions, the Foundation is no longer subject to U.S. federal tax examinations by tax authorities before 2007.

Use of estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: The Foundation evaluated subsequent events for potential required disclosure through November 4, 2010, which is the date financial statements were available to be issued.

United States Soccer Federation Foundation, Inc.

Notes To Financial Statements

Note 2. Investments

Investments consist of the following at June 30, 2010 and 2009:

	2010	2009
Funds of funds	\$ 11,245,057	\$ 22,025,518
Hedge funds	21,642,203	-
Equities	14,052,344	22,728,190
Mutual funds	3,743,662	3,729,685
Money market	502,180	782,602
	<u>\$ 51,185,446</u>	<u>\$ 49,265,995</u>

The following schedule summarizes the investment income (loss) for the years ended June 30, 2010 and 2009:

	2010	2009
Interest and dividends	\$ 779,230	\$ 939,621
Investment fees	(211,887)	(286,819)
Foreign income tax	(27,818)	(21,676)
<b>Investment income</b>	<u>539,525</u>	<u>631,126</u>
Realized gains (losses)	1,633,636	(11,480,076)
Unrealized gains (losses)	3,468,462	(5,169,088)
<b>Total investment income (loss)</b>	<u>\$ 5,641,623</u>	<u>\$ (16,018,038)</u>

The Foundation's investment portfolio includes five funds of funds investment funds. The investment strategy of these funds of funds includes allocations to the following: long/short multi-strategy, natural resources, diversified, real estate, speculative and convertible financial instruments.

The Fair Value Topic of the FASB Codification (the Codification) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

**United States Soccer Federation Foundation, Inc.**

**Notes To Financial Statements**

**Note 2. Investments (Continued)**

During the year ended June 30, 2010, the FASB issued additional guidance for accounting for investments in certain entities that calculate net asset value per share (or its Equivalent), which, among other things, assesses classifying these investments within the fair value hierarchy. This new guidance states that if the Foundation has the ability to redeem its investments with the investee at the net asset value per share in the near term (three months following June 30, 2010), the fair value measurement of the investment is categorized as a Level 2 fair value measurement. If the Foundation does not have the ability to redeem its investment at the net asset value per share in the near term due to a provision that allows redemption at other times than those defined in the near term or funds that are in a lock up, gate, or other redemption restriction, the investment is categorized as a Level 3 fair value measurement.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to the Codification each reporting period; all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The estimated fair values of the Foundation's short-term financial instruments, including receivables and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at June 30, 2010.

Description	2010			
	Level 1	Level 2	Level 3	Total
Funds of funds	\$ -	\$ -	\$ 11,245,057	\$ 11,245,057
Hedge funds	-	21,642,203	-	21,642,203
Equities	14,052,344	-	-	14,052,344
Mutual funds	3,743,662	-	-	3,743,662
Money market	227,270	-	-	227,270
	<b>\$ 18,023,276</b>	<b>\$ 21,642,203</b>	<b>\$ 11,245,057</b>	<b>\$ 50,910,536</b>

Description	2009			
	Level 1	Level 2	Level 3	Total
Funds of funds	\$ -	\$ 9,931,441	\$ 12,094,077	\$ 22,025,518
Equities	22,728,190	-	-	22,728,190
Mutual funds	3,729,685	-	-	3,729,685
Money market	782,602	-	-	782,602
	<b>\$ 27,240,477</b>	<b>\$ 9,931,441</b>	<b>\$ 12,094,077</b>	<b>\$ 49,265,995</b>

**United States Soccer Federation Foundation, Inc.**

**Notes To Financial Statements**

**Note 2. Investments (Continued)**

Money market funds, equities, and mutual funds are classified as Level 1 instruments as they are actively traded on public exchanges.

The hedge funds are classified as a Level 2 instrument as the value is based on observable data such as ongoing redemption and/or subscription activity including the ability of the Foundation to redeem amounts at a net asset value (NAV) per share in the near term. The market price is posted on an offshore exchange on a quarterly basis.

The funds of funds are classified as Level 3 instruments as the market value is based on unobservable inputs that are not corroborated by market data. The underlying investments in the funds of funds include investments that are actively traded on public exchanges.

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), this standard requires reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. The table below represents the reconciliation of the Foundation's assets measured at fair value on a recurring basis using significant unobservable inputs.

	2010	2009
Beginning balance of assets	\$ 12,094,077	\$ 15,513,866
Net realized and unrealized gains or changes in value recorded during the year	815,886	(1,919,789)
Transfers in and/or out of Level 3 during the year	(1,664,906)	(1,500,000)
Ending balance of investments	<u>\$ 11,245,057</u>	<u>\$ 12,094,077</u>

The following presents further information regarding the composition of the Foundation's investments at June 30, 2010:

Strategy Category	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Long/short multi-strategy	\$ 11,036,938	see note (a) below	see note (a) below
Natural resources	7,256,402	see note (b) below	see note (b) below
Diversified	5,927,042	see note (c) below	see note (c) below
Real estate	3,679,746	see note (d) below	see note (d) below
Speculative	3,348,863	see note (e) below	see note (e) below
Convertible	1,638,269	see note (f) below	see note (f) below
	<u>\$ 32,887,260</u>		

## United States Soccer Federation Foundation, Inc.

### Notes To Financial Statements

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#### Note 2. Investments (Continued)

##### **Long/short multi-strategy**

(a) This fund seeks to achieve long-term capital appreciation with low volatility. The fund focuses on three investment strategies: long/short equities, multi-strategy opportunistic, long/short credit, portfolio hedge, macro and activist. Shares may be redeemed quarterly and require 95 days written notice to the Administrator. Shares are redeemable at their net asset value as of the end of the respective quarter.

##### **Natural resources**

(b) This category includes investments related to energy and commodities including alternative energy. The fund invests in diversified discretionary commodity investments focusing on long-term trends. The alternative energy strategy focuses on European subsidized wind farms. The fund also investments in systematic strategies based on models for commodity futures investments. There are no restrictions on withdrawals or redemptions. Redemptions are generally available within 30-45 days of notice of request to liquidate.

##### **Diversified**

(c) This category includes investing in global securities based on a value-oriented, long equity and opportunistic approach. The investments are selected based on a macro-economic analysis. The fund manager may supplement this with a secondary strategy to offset market conditions with shorting, merger arbitrage and currency trading investments. There are no restrictions on withdrawals or redemptions. Provided that the Foundation has held its shares for at least 12 months, shares may be liquidated and redeemed at the net asset value of the latest quarter end. The notice for redemption is required to be submitted within 60 days of the proposed redemption date. Funds are generally available within 30 days of the redemption date.

##### **Real estate**

(d) The fund invests in real estate investments in anticipation of a recovery. Approximately 80% of this fund can be redeemed annually by the Foundation. The remaining 20% is considered a private equity fund and does not have a redemption schedule as the Foundation's commitment is for the life of the fund and will only be received when the fund is dissolved.

##### **Speculative**

(e) The fund was established to engage in the speculative trading of investment interests through the direct and indirect purchase of interests in other entities engaged in such business. The investment process includes both a "bottom up" "top down" approach. The "top down" includes the analyzing the overall market environment, global economic, political and societal factors. The "bottom up" research is based on manager merit. The investment manager conducts extensive manager analysis to understand strengths and weaknesses of the component investment strategies and fundamental risks undertaken by each manager. Shares can be redeemed quarterly with 65 days notice.

##### **Convertible**

(f) The fund invests in multiple strategies driven by fundamental research and specializes in convertible securities and credit. The fund typically has both long and short positions in multiple asset classes, including convertible securities, corporate bonds, equities, credit default swaps/indexes and options. The fund typically holds approximately 150 positions both on the long and the short side. Provided that the Foundation has held its shares for at least 12 months, shares may be liquidated and redeemed quarterly with 45 days notice subject to a 25% gate.

## United States Soccer Federation Foundation, Inc.

### Notes To Financial Statements

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#### Note 3. Property And Equipment

Property and equipment consist of the following at June 30, 2010 and 2009:

	2010	2009
Equipment and software	\$ 210,710	\$ 172,697
Leasehold improvements	82,702	82,702
	<u>293,412</u>	<u>255,399</u>
Less accumulated depreciation	183,000	157,848
	<u>\$ 110,412</u>	<u>\$ 97,551</u>

Depreciation and amortization expense was \$25,152 and \$14,950 for the years ended June 30, 2010 and 2009, respectively.

#### Note 4. AYSO Note Receivable

The Foundation amended the terms of the secured promissory note due from the American Youth Soccer Organization (AYSO) originally dated April 30, 2001, in the amount of \$1,500,000. The amended terms call for 84 monthly principal and interest payments of \$17,726, beginning on August 15, 2007, and ending on July 15, 2014, at an annual interest rate of 7.2%. The note is collateralized by a security interest in AYSO's National Player Registration Fees. As of June 30, 2010 and 2009, the outstanding principal and accrued interest due was \$750,620 and \$903,273, respectively.

#### Note 5. Loan Management Agreement

In October 2009, the Foundation entered into a loan management account agreement (LMA) with Bank of America, NA. The LMA states that the Foundation may utilize up to \$2.46 million. The LMA bears interest at LIBOR plus 3%. Interest is payable monthly on the last business day of the month. At June 30, 2010, there was no outstanding principal.

In fiscal year 2009, the Foundation had a line of credit agreement (LOC) with Merrill Lynch Business Financial Services, Inc. The LOC bore an interest rate of 2.55% above the 30-day commercial paper rate. The outstanding balance at June 30, 2009, was \$2,893,272. The balance was subsequently paid off and the agreement closed in the current fiscal year and replaced with the loan management agreement above.

These agreements are secured by the investments of the Foundation.

The interest incurred from these advance agreements was \$23,914 and \$49,182 for the years ended June 30, 2010 and 2009, respectively.

## United States Soccer Federation Foundation, Inc.

### Notes To Financial Statements

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#### Note 6. Grants Payable

The Foundation issues grants consistent with its organizational purpose. Grants payable activity and ending balances at June 30, 2010, are as follows:

Fiscal Year Ended June 30,	Total Grants Approved	Amounts Paid Or Rescinded As Of June 30, 2010	Remaining Balance Payable At June 30, 2010
2007	\$ 2,099,020	\$ 2,098,950	\$ 70
2008	2,204,250	1,415,731	788,519
2009	1,359,915	813,192	546,723
2010	2,249,039	462,803	1,786,236
Planning Grants	152,000	118,000	34,000
Soccer for Success	822,500	669,518	152,982
			<u>\$ 3,308,530</u>

#### Note 7. Related Parties

The Foundation's Board of Directors consists of 17 members (one nonvoting). The Federation appoints seven of the voting members. The Foundation has a strict conflict of interest policy for the purpose of maintaining the integrity of Foundation deliberations, which must be signed by members of the Board of Directors. Members of the Foundation's Board of Directors that also serve on the Federation's Board of Directors are not allowed to participate in the vote on any matter affecting the Federation.

#### Note 8. Employment Agreement

The Foundation has entered into an employment contract with the President of the Foundation, which expires on October 31, 2012. Should the President's employment be terminated without cause, the Foundation will be obligated to pay the remaining base compensation through the contract termination date within 30 days of the notice of termination.

## United States Soccer Federation Foundation, Inc.

### Notes To Financial Statements

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#### Note 9. Leases

The Foundation signed a ten-year, non-cancelable office lease commencing on January 1, 2008, and expiring on December 31, 2017.

The future minimum lease payments under the operating lease are as follows:

Years Ending June 30,	
2011	\$ 246,858
2012	255,710
2013	264,795
2014	271,413
2015	278,175
2016 – 2017	429,425
	<u>\$ 1,746,376</u>

For the years ended June 30, 2010 and 2009, rent expense including operating costs were \$259,316 and \$251,911, respectively.

#### Note 10. Retirement Plan

The Foundation has adopted a retirement plan that includes a deferral arrangement pursuant to Section 401(k) of the Internal Revenue Code, as well as a profit sharing plan. Substantially all employees are eligible to participate. Under the deferral arrangement, employees may elect to defer up to 100% of their annual compensation not to exceed IRS imposed limits. The Foundation matches contributions up to 3% of employee compensation. Under the profit sharing plan, the Foundation makes contributions on a discretionary basis. Employees will vest in their portion of the Foundation's contributions at the rate of 20% for each year of service starting after completion of the second year of employment. During the years ended June 30, 2010 and 2009, the Foundation's matching contribution was \$25,548 and \$24,555, respectively.

#### Note 11. Guarantees

During the year ended June 30, 2009, the Foundation agreed to guarantee the loans of certain soccer organizations. The terms of the loans are negotiated between the Foundation and the borrowers and were entered into for the purchase of lighting equipment. Under the terms of the agreement the Foundation guarantees payment of the loans. The loan balances that the Foundation guarantees does not exceed \$342,203.

#### Note 12. Rescinded Grants

The Board of Directors has a policy whereby grantees who become non-compliant with the grant terms and who do not present a corrective action plan to the Foundation will have their grants rescinded. The Board of Directors approves rescinded grants. Rescinded grants are recorded in the year of rescission as revenue in the statements of activities.

United States Soccer Federation Foundation, Inc.

Notes To Financial Statements

Note 13. Restricted Net Assets

Temporarily restricted net assets available for the following purposes or periods at June 30, 2010 and 2009, are as follows:

	Balance June 30, 2009	Additions	Released	Balance June 30, 2010
Time restricted:				
NY soccer for success	\$ -	\$ 57,600	\$ -	\$ 57,600
Purpose restricted:				
Mooch fund	165,250	-	-	165,250
Vanole fund	138,348	8,270	-	146,618
Koskinen fund	15,000	-	-	15,000
	<u>318,598</u>	<u>8,270</u>	<u>-</u>	<u>326,868</u>
	<u>\$ 318,598</u>	<u>\$ 65,870</u>	<u>\$ -</u>	<u>\$ 384,468</u>

	Balance June 30, 2008	Additions	Released	Balance June 30, 2009
Purpose restricted:				
Major league soccer activities	\$ 965,062	\$ 18,269	\$ 983,331	\$ -
Mooch fund	163,950	1,300	-	165,250
Vanole fund	119,216	19,132	-	138,348
Koskinen fund	-	15,000	-	15,000
	<u>\$ 1,248,228</u>	<u>\$ 53,701</u>	<u>\$ 983,331</u>	<u>\$ 318,598</u>



## Independent Auditor's Report On The Supplementary Information

To the Board of Directors  
United States Soccer Federation Foundation, Inc.  
Washington, D.C.

The audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information which follows is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McGladrey & Pullen, LLP*

Vienna, Virginia  
November 4, 2010

United States Soccer Federation Foundation, Inc.

Statement Of Functional Expenses  
Year Ended June 30, 2010 (With Comparative Totals For 2009)

	Program Services			Supporting Services		2010 Total	2009 Total
	Grants	Communications	Government Relations	Management And General	Development		
Salaries and related benefits	\$ 468,325	\$ 87,555	\$ 88,689	\$ 256,120	\$ 290,588	\$ 1,191,277	\$ 1,246,529
Consultants	73,597	37,103	16,031	16,322	188,312	331,365	225,182
Marketing	-	276,311	-	-	-	276,311	237,410
Occupancy	-	-	-	259,316	-	259,316	251,911
Meeting expenses	33,510	-	-	17,351	163,861	214,722	43,148
Miscellaneous	18,460	17	-	44,517	116,495	179,489	18,909
Charitable donations	125,000	-	-	450	-	125,450	200
Accounting services	-	-	-	118,262	-	118,262	81,671
Travel	16,209	2,598	3,521	66,726	14,362	103,416	183,499
Audit	-	-	-	49,000	-	49,000	47,513
Telephone and internet	194	-	345	32,069	849	33,457	32,572
Web site	-	-	-	32,911	-	32,911	41,776
Insurance	-	-	-	30,207	-	30,207	28,878
Printing, design and copy	-	10,321	-	4,794	13,808	28,923	36,844
Depreciation and amortization	-	-	-	25,152	-	25,152	14,950
Interest expense and LOC fees	-	-	-	23,914	-	23,914	56,682
Parking	56	-	-	18,357	20	18,433	20,370
Temporary staffing	3,600	-	-	-	12,520	16,120	10,303
Office supplies	239	-	-	14,807	762	15,808	18,715
Meals	723	353	251	10,188	3,416	14,931	23,379
Equipment rental	-	-	-	14,166	-	14,166	8,231
Dues and subscriptions	375	-	1,863	8,446	3,000	13,684	14,635
Postage and delivery	2,012	-	453	4,681	5,496	12,642	18,385
State registration fees	-	-	-	1,956	9,334	11,290	8,398
Legal	-	-	-	10,847	-	10,847	24,681
Bank charges	-	-	-	579	4,693	5,272	4,237
Recognition items and gifts	2,311	-	-	2,185	273	4,769	6,086
Event tickets	-	-	725	(80)	605	1,250	1,375
Computer classes and continuing education	-	-	-	-	30	30	125
Allocation of management and general	322,542	63,614	36,339	(586,494)	163,999	-	-
<b>Total before grants</b>	<b>1,067,153</b>	<b>477,872</b>	<b>148,217</b>	<b>476,749</b>	<b>992,423</b>	<b>3,162,414</b>	<b>2,706,594</b>
Grants	2,673,500	-	-	-	-	2,673,500	1,990,265
	<b>3,740,653</b>	<b>477,872</b>	<b>148,217</b>	<b>476,749</b>	<b>992,423</b>	<b>5,835,914</b>	<b>4,696,859</b>
MLS Awareness	-	-	-	-	-	-	983,331
<b>Total expenses</b>	<b>\$ 3,740,653</b>	<b>\$ 477,872</b>	<b>\$ 148,217</b>	<b>\$ 476,749</b>	<b>\$ 992,423</b>	<b>\$ 5,835,914</b>	<b>\$ 5,680,190</b>