




USA Football, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2022 and 2021



USA Football, Inc.
December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
USA Football, Inc.
Indianapolis, Indiana

Opinion

We have audited the consolidated financial statements of USA Football, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of USA Football, Inc. and its subsidiaries as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of USA Football, Inc., and its subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Football, Inc. and its subsidiaries' ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 USA Football, Inc. and its subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Football, Inc. and its subsidiaries' 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.

FORVIS,LLP

Indianapolis, Indiana
July 11, 2023

USA Football, Inc.
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 9,310,604	\$ 9,990,676
Accounts receivable, net	636,017	1,115,428
Grants receivable	274,200	189,500
Prepaid expenses and other	570,011	487,191
Inventory	298,754	616,164
Investments	14,303,352	15,759,054
Right-of-use assets - operating leases	33,273	-
Property and equipment, net	639,860	963,191
Total assets	\$ 26,066,071	\$ 29,121,204
Liabilities		
Accounts payable and accrued expenses	\$ 1,659,918	\$ 1,316,958
Paycheck Protection Program loan - refundable advance	-	1,469,012
Operating lease liabilities	33,273	-
Deferred revenue	5,941,900	7,633,407
Total liabilities	7,635,091	10,419,377
Net Assets		
Without donor restrictions	11,568,117	11,451,834
With donor restrictions	6,862,863	7,249,993
Total net assets	18,430,980	18,701,827
Total liabilities and net assets	\$ 26,066,071	\$ 29,121,204

USA Football, Inc.
Consolidated Statement of Activities
Year Ended December 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Grants and contributions	\$ 11,455,881	\$ 159,540	\$ 11,615,421
Paycheck Protection Program loan forgiveness	1,469,012	-	1,469,012
Certifications	1,684,201	-	1,684,201
Sponsorships and royalties	1,229,293	-	1,229,293
Events and other programs	714,472	-	714,472
Investment income, net	108,299	92,177	200,476
Contributions of nonfinancial assets	113,537	-	113,537
Other income	266,829	-	266,829
Net assets released from restrictions	106,861	(106,861)	-
Total revenues, gains and other support	<u>17,148,385</u>	<u>144,856</u>	<u>17,293,241</u>
Expenses			
Program expenses			
Educate	4,558,243	-	4,558,243
Consult	5,248,582	-	5,248,582
Promote	1,326,705	-	1,326,705
Advocate	495,740	-	495,740
High performance	2,575,284	-	2,575,284
Total program expenses	<u>14,204,554</u>	-	<u>14,204,554</u>
General and administrative expenses	1,728,145	-	1,728,145
Total expenses	<u>15,932,699</u>	-	<u>15,932,699</u>
Change in Net Assets Before Other Losses	1,215,686	144,856	1,360,542
Net realized and unrealized losses on investments	<u>(1,099,403)</u>	<u>(531,986)</u>	<u>(1,631,389)</u>
Change in Net Assets	116,283	(387,130)	(270,847)
Net Assets, Beginning of Year	<u>11,451,834</u>	<u>7,249,993</u>	<u>18,701,827</u>
Net Assets, End of Year	<u>\$ 11,568,117</u>	<u>\$ 6,862,863</u>	<u>\$ 18,430,980</u>

USA Football, Inc.
Consolidated Statement of Activities
Year Ended December 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Grants and contributions	\$ 8,535,555	\$ 21,500	\$ 8,557,055
Certifications	1,654,805	-	1,654,805
Sponsorships and royalties	1,847,316	-	1,847,316
Events and other programs	1,023,670	-	1,023,670
Investment income, net	51,833	80,091	131,924
Contributions of nonfinancial assets	351,000	-	351,000
Other income	269,566	-	269,566
Net assets released from restrictions	54,000	(54,000)	-
Total revenues, gains and other support	<u>13,787,745</u>	<u>47,591</u>	<u>13,835,336</u>
Expenses			
Program expenses			
Educate	5,220,982	-	5,220,982
Consult	3,470,615	-	3,470,615
Promote	538,483	-	538,483
Advocate	551,732	-	551,732
High performance	2,264,757	-	2,264,757
Total program expenses	<u>12,046,569</u>	-	<u>12,046,569</u>
General and administrative expenses	1,679,419	-	1,679,419
Total expenses	<u>13,725,988</u>	-	<u>13,725,988</u>
Change in Net Assets Before Other Gains (Losses)	61,757	47,591	109,348
Net realized and unrealized gains on investments	903,005	702,162	1,605,167
Loss on disposal of property and equipment	(16,977)	-	(16,977)
Change in Net Assets	947,785	749,753	1,697,538
Net Assets, Beginning of Year	<u>10,504,049</u>	<u>6,500,240</u>	<u>17,004,289</u>
Net Assets, End of Year	<u>\$ 11,451,834</u>	<u>\$ 7,249,993</u>	<u>\$ 18,701,827</u>

USA Football, Inc.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program	General and Administrative	Total	Percent of Total
Salaries and benefits	\$ 4,839,062	\$ 853,954	\$ 5,693,016	38 %
Travel	915,096	48,163	963,259	6
Meetings	14,344	2,531	16,875	-
Entertainment	35,273	6,225	41,498	-
Parking	1,607	284	1,891	-
Information technology	159,629	28,170	187,799	1
Office operations	227,338	40,119	267,457	2
Dues and subscriptions	22,153	3,909	26,062	-
Gifts, awards and donations	22,158	-	22,158	-
Professional services	879,674	155,237	1,034,911	6
Insurance	824,041	145,419	969,460	6
Consulting	1,713,605	302,401	2,016,006	13
Events	642,920	-	642,920	4
In-kind expenses	113,536	-	113,536	1
Equipment	232,484	-	232,484	1
Medical support	33,408	-	33,408	-
Apparel	285,546	-	285,546	2
Marketing, promotion and advertising	417,400	73,659	491,059	3
Depreciation	300,025	52,946	352,971	2
Grants and sponsorships	2,169,646	-	2,169,646	14
Cost of goods sold	236,669	-	236,669	1
Professional conventions	-	-	-	-
Game tickets	4,250	750	5,000	-
Flag app fulfillment	33,218	-	33,218	-
Other	17,722	3,128	20,850	-
Bad debt	63,750	11,250	75,000	-
	<u>\$ 14,204,554</u>	<u>\$ 1,728,145</u>	<u>\$ 15,932,699</u>	<u>100 %</u>

USA Football, Inc.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program	General and Administrative	Total	Percent of Total
Salaries and benefits	\$ 5,024,419	\$ 881,860	\$ 5,906,279	45 %
Travel	436,261	22,961	459,222	5
Meetings	7,491	1,322	8,813	-
Entertainment	8,251	1,456	9,707	-
Parking	660	117	777	-
Information technology	143,580	25,338	168,918	2
Office operations	324,065	57,188	381,253	5
Dues and subscriptions	32,514	5,738	38,252	-
Gifts, awards and donations	36,973	-	36,973	-
Professional services	617,281	108,932	726,213	6
Insurance	606,675	107,060	713,735	5
Consulting	1,597,844	281,972	1,879,816	9
Events	451,648	-	451,648	4
In-kind expenses	351,000	-	351,000	1
Equipment	20,841	-	20,841	-
Medical support	27,984	-	27,984	-
Apparel	133,616	-	133,616	2
Marketing, promotion and advertising	300,982	53,114	354,096	1
Depreciation	307,011	54,179	361,190	3
Grants and sponsorships	791,239	-	791,239	8
Cost of goods sold	363,633	-	363,633	1
Professional conventions	115	20	135	-
Game tickets	-	-	-	-
Flag app fulfillment	19,567	-	19,567	-
Other	115,084	20,309	135,393	2
Bad debt	327,835	57,853	385,688	1
	<u>\$ 12,046,569</u>	<u>\$ 1,679,419</u>	<u>\$ 13,725,988</u>	<u>100 %</u>

USA Football, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ (270,847)	\$ 1,697,538
Items not requiring (providing) cash		
Depreciation	352,971	361,190
Loss on disposal of property and equipment	-	16,977
Net realized and unrealized losses (gains) on investments	1,631,389	(1,605,167)
Bad debt expense	75,000	385,689
Operating lease expense	49,932	-
Forgiveness of Paycheck Protection Program loans	(1,469,012)	-
Proceeds from Paycheck Protection Program loan - refundable advance	-	1,469,012
Changes in		
Accounts receivable	404,411	152,688
Grants receivable	(84,700)	(181,046)
Prepaid expenses	(82,820)	16,193
Inventory	317,410	(157,927)
Accounts payable and accrued expenses	342,960	(271,837)
Deferred revenue	(1,691,507)	1,999,717
Operating lease liability	(49,932)	-
Net cash provided by (used in) operating activities	(474,745)	3,883,027
Investing Activities		
Purchase of property and equipment	(29,640)	-
Purchase of investments	(175,687)	(131,547)
Net cash used in investing activities	(205,327)	(131,547)
Net Increase (Decrease) in Cash and Cash Equivalents	(680,072)	3,751,480
Cash and Cash Equivalents, Beginning of Year	9,990,676	6,239,196
Cash and Cash Equivalents, End of Year	\$ 9,310,604	\$ 9,990,676

USA Football, Inc.
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

USA Football, Inc. (Organization) is a not-for-profit organization located in Indianapolis, Indiana, formed and operated exclusively for charitable and educational purposes. The Organization's primary goal is to lead development of the sport of football, inspire participation and promote a positive experience for youth, high school and other amateur players. The Organization's revenues and other support are derived principally from grants and contributions and events income. The Organization provides a variety of educational programs and innovative tools for coaches, officials, administrators, players and parents. Revenue for the Organization comes from several sources including programs, events and other developmental activities.

Heads Up Football, LLC (LLC) was created by the Organization during 2016. The LLC was formed to operate the Heads Up Football program.

The Organization also controls a dormant supporting organization, USA Football Foundation, Inc., which had no assets, revenues or net assets as of and for the years ended December 31, 2022 and 2021.

During 2021, the Organization reorganized its core programs included on the consolidated statement of activities. The Organization leads, convenes, collaborates and/or supports football stakeholders in these core areas:

- *Educate:* The Organization is a thought-leader for the sport of football at the grassroots level. The Organization works at the forefront of understanding youth sports participation and to advance football development, coaching, league administration, and related topics to serve families across the sport.
- *Consult:* The Organization provides league commissioners, coaches, players, parents, and game officials the resources, information, knowledge, and tools that each individual needs for a successful and positive youth football experience.
- *Promote:* The Organization strives to amplify the 21st-Century standards that the Organization delivers to youth football communities, including the fairness and whole-child benefits of participation, facilitating activations, promotions, and media campaigns to propel the Organization's child-first mission.
- *Advocate:* As the Organization is one of the sport's top stewards within the grassroots level, the Organization strives to serve as the leading voice for children's well-being through the sport of football.
- *High Performance:* The Organization promotes access to many entry levels into the sport. The Organization aspires to develop with not only the education of its participants, but the skills needed to perform in a high-level on the field and off.

USA Football, Inc.
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiary, Heads Up Football, LLC, of which the Organization is the sole member and USA Football Foundation, Inc. (collectively, the Organization). All significant inter-organizational accounts have been eliminated.

Use of Estimates

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, cash equivalents consisted primarily of money market accounts with brokers. For purposes of the consolidated statement of cash flows, cash equivalents included in investment accounts are not considered to be cash and cash equivalents.

At December 31, 2022, the Organization's cash accounts exceeded federally insured limits by approximately \$9,074,000.

Accounts Receivable

Accounts receivable from certifications, events and other programs are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recognized when received. Based on management's evaluation, an allowance of \$22,821 and \$89,710 has been recorded for receivables deemed uncollectible as of December 31, 2022 and 2021, respectively. All accounts receivable are collectible within one year. The Organization does not charge interest on past due accounts.

USA Football, Inc.
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Inventory

Inventories consists of merchandise and football equipment for use and for resale to certified coaches, organizations and other customers. Inventory is stated at the lower of cost or net realizable value. All inventory is held for resale.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Estimated useful lives ranges from 3 to 7 years.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2022 and 2021.

Deferred Revenue

Revenue from fees for sponsorships or event registrants is deferred and recognized over the periods to which the fees relate.

USA Football, Inc.
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Paycheck Protection Program (PPP) Loan – Refundable Advance

The Organization received first and second round PPP loans established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Not-for-Profit Entities - Revenue Recognition*, which resulted in this loan being reflected as a refundable advance liability on the consolidated statement of financial position at December 31, 2021. Revenue is recognized when conditions are met, which includes meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender, as a result of such audit, adjustments could be required to the recognition of revenue. No revenue was recognized for the year ended December 31, 2021. The Organization recognized the full amount of the second round PPP loan of \$1,469,012 as a federal grant in the year ended December 31, 2022.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for various reserve purposes. Net assets with donor restrictions are subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Certification, Sponsorships, Royalties, Events and Other Program Revenue

Certification, sponsorships, royalties, events and other program revenue is recognized as the Organization satisfies performed obligations under its contracts. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing goods or services. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by implicit and explicit price concessions. The Organization determines its estimates of implicit and explicit price concessions based upon contractual agreements, its discount policies and historical experience.

USA Football, Inc.
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

USA Football, Inc.
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction. The LLC is treated as a disregarded entity under the exemption of the Organization for tax purposes.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program and management and general categories based on the actual direct expenditures and cost allocations based upon estimates by management.

Marketing, Promotion and Advertising

The Organization's policy is to expense advertising as the costs are incurred.

Subsequent Events

Subsequent events have been evaluated through July 11, 2023, which is the date the consolidated financial statements were available to be issued.

Note 2: Revenue From Contracts

Contract Revenue

Performance obligations are determined based on the nature of the goods or services provided by the Organization in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided to customers at a single point in time and the Organization does not believe it is required to provide additional goods or services related to that contract.

USA Football, Inc.
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Transaction Price and Recognition

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the Organization’s policy and implicit price concessions provided to customers. The Organization determines its estimates of explicit price concessions based on its historical collection experience within classes of customers.

From time to time, the Organization will receive overpayments of customer balances resulting in amounts owed back to either customers or third parties. These amounts are excluded from revenues and recorded as liabilities until they are refunded. As of December 31, 2022 and 2021, the Organization has no refund liabilities owed to customers or third parties.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. For the years ended December 31, 2022 and 2021, no additional revenues were recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of adverse change in the customer’s ability to pay are recorded as bad debt expense.

The Organization has contracts that are unsatisfied or partially satisfied as of December 31, 2022, 2021 and 2020 in the amounts of \$101,261, \$240,992 and \$141,731, respectively, which the Organization expects to recognize in the following year.

The Organization has amounts due from customers totaling \$307,059, \$920,950 and \$1,675,490 at December 31, 2022, 2021 and 2020, respectively. The Organization expects to receive these amounts over the next calendar year.

Disaggregation of Revenue

The composition of contract revenue for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Certifications	\$ 1,684,201	\$ 1,654,805
Sponsorships and royalties	1,229,293	1,847,316
Events and other programs	714,472	1,023,670
Other income	266,829	269,566
	<u>\$ 3,894,795</u>	<u>\$ 4,795,357</u>

USA Football, Inc.
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

The timing of recognition of contract revenue for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Timing of revenue and recognition		
Sales at a point in time	\$ 2,210,594	\$ 3,094,719
Services transferred over time	<u>1,684,201</u>	<u>1,700,638</u>
	<u>\$ 3,894,795</u>	<u>\$ 4,795,357</u>

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC 606-10-36-16 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payer pays for that service will be one year or less.

However, the Organization does, in certain instances enter into payment agreements with customers that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Note 3: Investments

The Organization's investments at fair value are as follows:

	<u>2022</u>	<u>2021</u>
Money market mutual funds	\$ 1,448,519	\$ 1,066,316
Mutual funds	1,635,307	1,694,774
Common stocks	8,380,608	10,055,661
Corporate bonds	2,542,828	2,942,303
Government securities	<u>296,090</u>	<u>-</u>
	<u>\$ 14,303,352</u>	<u>\$ 15,759,054</u>

USA Football, Inc.
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Total investment return is comprised of the following:

	<u>2022</u>	<u>2021</u>
Interest income	\$ 200,476	\$ 131,924
Realized gains on investments	223,950	254,035
Unrealized gains (losses) on investments	<u>(1,855,339)</u>	<u>1,351,132</u>
Total investment return	<u>\$ (1,430,913)</u>	<u>\$ 1,737,091</u>

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Note 4: Property and Equipment

Property and equipment at December 31 consists of:

	<u>2022</u>	<u>2021</u>
Office equipment	\$ 53,138	\$ 53,138
Office furniture	7,129	7,129
Digital assets	1,769,115	1,739,476
Leasehold improvements	<u>36,326</u>	<u>36,326</u>
	1,865,708	1,836,069
Accumulated depreciation	<u>(1,225,848)</u>	<u>(872,878)</u>
	<u>\$ 639,860</u>	<u>\$ 963,191</u>

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Note 5: Line of Credit

The Organization has a \$500,000 revolving bank line of credit which expires on November 30, 2023. The interest rate on the line of credit is the prime rate plus 1.75%. There were no borrowings against the line of credit as of December 31, 2022 and 2021.

The Organization has a loan management account wherein the maximum amount shall not exceed \$5,000,000. The maximum amount cap remains subject to change in the bank's discretion and does not constitute a loan commitment by the bank. There were no borrowings against the loan management account as of December 31, 2022.

Note 6: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose		
Sport development	\$ 413,917	\$ 413,917
Helmet and equipment replacement grant	54,679	-
High performance	-	2,000
	<u>468,596</u>	<u>415,917</u>
Endowments		
Subject to endowment spending policy and appropriation		
Accumulated earnings for operations	3,394,267	3,834,076
Not subject to spending policy or appropriation		
Endowment investments	<u>3,000,000</u>	<u>3,000,000</u>
	<u>6,394,267</u>	<u>6,834,076</u>
	<u>\$ 6,862,863</u>	<u>\$ 7,249,993</u>

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Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2022	2021
Satisfaction of purpose restrictions		
Helmet and equipment replacement grant	\$ 98,321	\$ 54,000
High performance	8,540	-
	\$ 106,861	\$ 54,000

Note 7: Endowment

The Organization's endowment consists of a donor-restricted fund established to fund operating expenses. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body is subject to the State of Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. The governing body of the Organization has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment fund, the Organization considers the fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

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The composition of net assets by type of endowment fund at December 31, 2022 and 2021 was:

	With Donor Restrictions	
	2022	2021
Donor-restricted endowment funds	<u>\$ 6,394,267</u>	<u>\$ 6,834,076</u>

Changes in endowment net assets for the years ended December 31, 2022 and 2021 were:

	With Donor Restrictions	
	2022	2021
Endowment net assets, beginning of year	\$ 6,834,076	\$ 6,051,823
Investment return, net	<u>(439,809)</u>	<u>782,253</u>
Endowment net assets, end of year	<u>\$ 6,394,267</u>	<u>\$ 6,834,076</u>

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. At December 31, 2022 and 2021, there were no such deficiencies. The Organization is in the process of implementing a formal investment policy for the endowed investments.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy (the spending policy) of appropriating for expenditure each year 4% of the January 1 fair value of the endowment of the year in which expenditure is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. The Organization is precluded from spending from underwater funds as directed by the donor. In an effort to allow the endowment to continue to grow, the Organization elected not to take an appropriation in 2022 or 2021.

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Note 8: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,310,604	\$ 9,990,676
Accounts receivable, net	636,017	1,115,428
Grants receivable	274,200	189,500
Investments	<u>14,303,352</u>	<u>15,759,054</u>
	<u>24,524,173</u>	<u>27,054,658</u>
Donor-imposed restrictions		
Restricted funds	468,596	415,917
Endowments	<u>6,394,267</u>	<u>6,834,076</u>
	<u>6,862,863</u>	<u>7,249,993</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,661,310</u>	<u>\$ 19,804,665</u>

The Organization's endowment funds consist of a donor-restricted endowment. Income from donor-restricted endowments is available for general use upon appropriation by the Board of Directors.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has established an operating reserve policy with the objective to build and maintain an adequate level of net assets without donor restriction to support the Organization's day-to-day operations in the event of unforeseen shortfalls, create a resource for development of new products and programs and to adjust operations in the case of possible impairment due to significant loss of funding or disaster recovery. The operating reserve consists of three components: 1) the operating reserve fund, 2) the R&D reserve fund and 3) the disaster recovery reserve fund.

The purpose of the operating reserve fund is to support day-to-day operations in the event of unforeseen shortfalls. The minimum target balance for this fund is 25% or three months of annual budgeted expenditures. Once this fund is over 33% or four months of annual budgeted expenditures, the funding percentages will adjust to decrease the amount going into this reserve and to increase the funding to the R&D reserve fund and the disaster recovery reserve fund. The balance of this fund at December 31, 2022 and 2021 was \$6,468,533.

The purpose of the R&D reserve fund is to create a resource for developing new products and programs, including launching those programs into the market place. The balance of this fund at December 31, 2022 and 2021 was \$554,518 and \$510,910, respectively.

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Note 9: Related Party Transactions

On June 11, 2019, the NFL, NFL Foundation and the Organization signed a two year, \$19,000,000 collaborative agreement to support the Organization's youth and high school football programs wherein the second year installment of \$9,500,000 was conditional upon completion of certain measurable metrics related to the first year installment. The funding supports the Organization's programs including Learn to Play, Football Development Model, Heads Up Football and NFL Flag from April 1, 2019 through March 31, 2021. This grant agreement was completed during 2021.

The Organization has received the \$19,000,000 under this grant. Of the \$9,500,000 received in 2019, the Organization recognized \$6,493,497 in revenue during 2019 due to meeting required provisions of the grant agreement and the remaining \$3,006,503 was reflected in deferred revenue. Of the \$9,500,000 received in 2020, the Organization recognized \$4,009,620 due to meeting required provisions of the grant agreement and the remaining \$5,490,380 was reflected in deferred revenue. During 2021, an additional \$2,335,569 was recognized by the Organization due to meeting required provisions of the grant agreement and the remaining \$3,154,811 is reflected in deferred revenue. During 2022, \$913,359 was recognized by the Organization due to meeting required provisions of the grant agreement and the remaining \$2,241,452 is reflected as deferred revenue as the NFL Foundation agreed to rollover these funds and extend the time period through March 31, 2024. The deferred amounts will be recognized into revenue as the Organization meets required grant provisions.

On August 5, 2021, the NFL, NFL Foundation and the Organization signed a three year, \$28,500,000 collaborative agreement to support the Organizations' youth and high school football programs wherein the second and third year installments of \$9,500,000 are conditional upon the completion of certain measurable metrics related to the previous year installment. The funding supports the Organization's programs including Learn to Play, Football Development Model, and Heads Up Football from April 1, 2021 through March 31, 2024.

The Organization has received \$19,000,000 under this grant. Of the \$9,500,000 received in 2021, the Organization recognized \$5,263,975 in revenue during 2021 due to meeting required provisions of the grant agreement and the remaining \$4,236,025 is reflected in deferred revenue. During 2022, the Organization recognized \$3,869,830 in revenue due to meeting required provisions of the grant agreement and the remaining \$366,195 is reflected in deferred revenue. Of the \$9,500,000 received in 2022, the Organization recognized \$6,268,626 in revenue in 2022 due to meeting required provisions of the grant agreement and the remaining \$3,231,374 is reflected in deferred revenue. The deferred amounts will be recognized into revenue as the Organization meets required grant provisions.

Annual allocations under the multi-year collaboration are subject to conditions that are approved over the term of the agreement, including allotments with cost reimbursement terms. The NFL, through the NFL Foundation and the NFL Youth Football Fund, have provided grants and other support to the Organization in the amount of \$11,051,776 and \$7,599,544 for the years ended December 31, 2022 and 2021, respectively. This support accounted for 64% and 55% of total revenues, gains and other support for the years ended December 31, 2022 and 2021, respectively. These grants supported the Organization's programs including Heads Up Football, youth and high school equipment grants, helmet reconditioning grants and general operations.

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The Organization had a combined receivable balance from the NFL Foundation and NFL Youth Football Fund of \$322,581 and \$468,295 as of December 31, 2022 and 2021, respectively. These receivables are included within accounts receivable, net and grants receivable on the consolidated statements of financial position.

Note 10: Operating Leases – 2021 (Topic 840)

In April 2015, the Organization extended an existing lease for office space through October 2020. In November 2020, the existing lease was amended to include less office space at the same location through October 2021. In July 2021, the amended lease was extended through October 2023. Total rent for the year ended December 31, 2021 was \$41,720.

Future minimum lease payments required under the operating lease are as follows:

2022		\$ 31,144
2023		25,953
Total lease payments		\$ 57,097

Note 11: Leases – 2022 (Topic 842)

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

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The Organization adopted Topic 842 on January 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Organization elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization has lease agreements with nonlease components that relate to the lease components. The Organization elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Organization elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. The Organization did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$83,205 as of January 1, 2022, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. The standard did not significantly affect the consolidated statements of activities or cash flows.

Accounting Policies

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings. The Organization allocates the consideration to the lease and nonlease components using their relative standalone values. In addition, for certain equipment leases, the Organization applies a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. The Organization did not assess any of the renewal options in its leases to be reasonably certain, therefore, the renewal term is not included in the lease term. Lease expense is generally recognized on a straight-line basis over the lease term.

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The Organization has elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Operating Leases

The Organization has leases for office space and storage space that expire in 2023. These leases generally contain renewal options for periods ranging from 1 to 3 years. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

Quantitative Disclosures

The lease cost and other required information for the year ended December 31, 2022 are:

	2022
Operating lease cost	\$ 50,294
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	50,252
Right-of-use assets obtained in exchange for new operating lease liabilities	83,205
Weighted-average remaining operating lease term	0.75 years
Weighted-average discount rate	0.71%

Future minimum lease payments and reconciliation to the consolidated statements of financial position at December 31, 2022, are as follows:

2023	\$ 33,340
Less interest	67
Lease liabilities	\$ 33,273

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Note 12: Retirement Plan

The Organization sponsors a 401(k) savings plan (Plan) so that employees may contribute a portion of their income (pre-tax or post-tax) into a retirement fund. The Plan covers all of its eligible employees. The Organization matches up to 100% of each employee's contribution up to 6% of eligible compensation plus the Organization may make additional discretionary contributions. For the years ended December 31, 2022 and 2021, the discretionary contributions totaled 1.5% of eligible compensation. The contribution to this Plan for the years ended December 31, 2022 and 2021 was \$203,513 and \$295,111, respectively.

Note 13: Fair Value Measurements and Disclosures

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2022.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

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The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 and 2021:

	2022			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	
			Significant Unobservable Inputs (Level 3)	
Money market mutual funds	\$ 1,448,519	\$ 1,448,519	\$ -	\$ -
Mutual funds	1,635,307	1,635,307	-	-
Common stocks	8,380,608	8,380,608	-	-
Corporate bonds	2,542,828	2,542,828	-	-
Government securities	296,090	-	296,090	-
	<u>\$ 14,303,352</u>	<u>\$ 14,007,262</u>	<u>\$ 296,090</u>	<u>\$ -</u>

	2021			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	
			Significant Unobservable Inputs (Level 3)	
Money market mutual funds	\$ 1,066,316	\$ 1,066,316	\$ -	\$ -
Mutual funds	1,694,774	1,694,774	-	-
Common stocks	10,055,661	10,055,661	-	-
Corporate bonds	2,942,303	2,942,303	-	-
	<u>\$ 15,759,054</u>	<u>\$ 15,759,054</u>	<u>\$ -</u>	<u>\$ -</u>

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Note 14: Contributed Nonfinancial Assets

In 2022, the Organization, adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the consolidated statements of activities and disclosures within the notes to the consolidated financial statements about the valuation methodology for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the consolidated statements of activities included:

	2022	2021
Donated apparel	\$ 113,537	\$ 172,500
Donated products	-	10,500
Donated supplies	-	168,000
	\$ 113,537	\$ 351,000

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The Organization estimated fair value of donated apparel, products and supplies based on the value that would be received for selling those items. Donated items are utilized in each of the Organizations programs to promote positive experience for youth, high school and other amateur football players and are not monetized.

Note 15: Litigation

The Organization is subject to lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of the lawsuits will not have a material adverse effect on the consolidated financial position, change in net assets and cash flows of the Organization.

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Note 16: Concentrations

Grants and Contributions

Approximately 99% of all grants and contributions were received from one donor in 2022 and 2021.

Sponsorships

Approximately 84% and 79% of all sponsorships were received from two donors in 2022 and 2021, respectively.