

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 10-K**

---

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Fiscal Year Ended June 30, 2020

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number 0-13928**

**U.S. GLOBAL INVESTORS, INC.**

Incorporated in the State of Texas

IRS Employer Identification No. 74-1598370

Principal Executive Offices:  
7900 Callaghan Road  
San Antonio, Texas 78229  
Telephone Number: 210-308-1234

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A common stock, \$0.025 par value per share	GROW	NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes  No

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

---

[Table of Contents](#)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

The aggregate market value of the 10,607,711 shares of nonvoting class A common stock held by nonaffiliates of the registrant was \$15,275,104, based on the last sale price quoted on NASDAQ as of December 31, 2019, the last business day of the registrant’s most recently completed second fiscal quarter. Registrant’s only voting stock is its class C common stock, par value of \$0.025 per share, for which there is no active market. The aggregate value of the 4,177 shares of the class C common stock held by nonaffiliates of the registrant on December 31, 2019 (based on the last sale price of the class C common stock in a private transaction) was \$1,044. For purposes of this disclosure only, the registrant has assumed that its directors, executive officers, and beneficial owners of 5 percent or more of the registrant’s common stock are affiliates of the registrant.

On August 28, 2020, there were 13,866,913 shares of Registrant’s class A nonvoting common stock issued and 13,011,860 shares of Registrant’s class A nonvoting common stock issued and outstanding, no shares of Registrant’s class B nonvoting common stock outstanding, and 2,068,635 shares of Registrant’s class C voting common stock issued and outstanding.

Documents incorporated by reference: None

---

## Table of Contents

<i>Part I of Annual Report on Form 10-K</i>	<i>1</i>
<a href="#"><u>Item 1. Business</u></a>	<b>1</b>
<a href="#"><u>Item 1A. Risk Factors</u></a>	<b>5</b>
<a href="#"><u>Item 1B. Unresolved Staff Comments</u></a>	<b>10</b>
<a href="#"><u>Item 2. Properties</u></a>	<b>10</b>
<a href="#"><u>Item 3. Legal Proceedings</u></a>	<b>10</b>
<a href="#"><u>Item 4. Mine Safety Disclosures</u></a>	<b>10</b>
<i>Part II of Annual Report on Form 10-K</i>	<i>11</i>
<a href="#"><u>Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</u></a>	<b>11</b>
<a href="#"><u>Item 6. Selected Financial Data</u></a>	<b>13</b>
<a href="#"><u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></a>	<b>13</b>
<a href="#"><u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u></a>	<b>24</b>
<a href="#"><u>Item 8. Financial Statements and Supplementary Data</u></a>	<b>26</b>
<a href="#"><u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u></a>	<b>54</b>
<a href="#"><u>Item 9A. Controls and Procedures</u></a>	<b>54</b>
<a href="#"><u>Item 9B. Other Information</u></a>	<b>54</b>
<i>Part III of Annual Report on Form 10-K</i>	<i>55</i>
<a href="#"><u>Item 10. Directors, Executive Officers and Corporate Governance</u></a>	<b>55</b>
<a href="#"><u>Item 11. Executive Compensation</u></a>	<b>57</b>
<a href="#"><u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u></a>	<b>62</b>
<a href="#"><u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u></a>	<b>64</b>
<a href="#"><u>Item 14. Principal Accounting Fees and Services</u></a>	<b>64</b>
<i>Part IV of Annual Report on Form 10-K</i>	<i>65</i>
<a href="#"><u>Item 15. Exhibits, Financial Statement Schedules</u></a>	<b>65</b>
<a href="#"><u>Signatures</u></a>	<b>67</b>
<b>Exhibit 10.11 — Promissory Note</b>	
<b>Exhibit 21 — Subsidiaries of the Company, Jurisdiction of Incorporation, and Percentage of Ownership</b>	
<b>Exhibit 23.1 — Consent of BDO USA, LLP</b>	
<b>Exhibit 31.1 — Rule 13a – 14(a) Certifications (under Section 302 of the Sarbanes-Oxley Act of 2002)</b>	
<b>Exhibit 32.1 — Section 1350 Certifications (under Section 906 of the Sarbanes-Oxley Act of 2002)</b>	

---



## *Part I of Annual Report on Form 10-K*

### **Item 1. Business**

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, U.S. Global Investors, Inc. and its subsidiaries (collectively, “U.S. Global” or the “Company”) may make other written and oral communications from time to time that contain such statements. Forward-looking statements include statements as to industry trends, future expectations of the Company, and other matters that do not relate strictly to historical facts and are based on certain assumptions by management. These statements are often identified by the use of words such as “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “could,” “should,” “estimate,” or “continue,” and similar expressions or variations. These statements are based on the beliefs and assumptions of Company management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from the forward-looking statements include, among others, the risks described in Part I, Item 1A, Risk Factors, and elsewhere in this report and other documents filed or furnished by U.S. Global from time to time with the U.S. Securities and Exchange Commission (“SEC”). U.S. Global cautions readers to carefully consider such factors. Furthermore, such forward-looking statements speak only as of the date on which such statements are made. Except to the extent required by applicable law, U.S. Global undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

U.S. Global, a Texas corporation organized in 1968, is a registered investment adviser under the Investment Advisers Act of 1940, as amended (“Advisers Act”). The Company, with principal operations located in San Antonio, Texas, manages two business segments on a continuing operations basis:

1. Investment Management Services, through which the Company offers, to U.S. Global Investors Funds (“USGIF” or the “Fund(s)”) and exchange traded fund (“ETF”) clients, a range of investment management products and services to meet the needs of individual and institutional investors; and
2. Corporate Investments, through which the Company invests for its own account in an effort to add growth and value to its cash position. The Company holds a significant amount of its total assets in investments.

As part of its investment management business, the Company provides: (1) investment advisory services and (2) administrative services to the mutual funds advised by the Company. The fees from these services, as well as investment income, are the primary sources of the Company’s revenue.

Prior to December 31, 2019, the Company also reported a business segment for investment management services in Canada. The Company, through its Canadian subsidiary U.S. Global Investors (Canada) Limited (“USCAN”), owned a 65 percent controlling interest in Galileo Global Equity Advisors Inc. (“Galileo”), a privately held Toronto-based asset management firm which offers investment management products and services in Canada. USCAN entered into a binding letter of intent dated December 30, 2019, with Galileo whereby Galileo, pursuant to a capital restructuring, agreed to purchase back all of its common shares owned by the USCAN for \$1.0 million (Canadian). The transaction was subject to the approval of Canadian securities regulatory authorities and to the satisfaction of other closing conditions. The transaction closed effective March 2, 2020. See further discussion of this former subsidiary in the Notes to the Consolidated Financial Statements at Note 3, Discontinued Operations, of this Annual Report on Form 10-K.

**Lines of Business**

Lines of business on a continuing operations basis are discussed below.

**Investment Management Services**

**Investment Advisory Services.** The Company furnishes an investment program for each of the clients it manages and determines, subject to overall supervision by the applicable board of trustees of the clients, the clients' investments pursuant to an advisory agreement. Consistent with the investment restrictions, objectives and policies of the particular client, the portfolio team for each client determines what investments should be purchased, sold, and held, and makes changes in the portfolio deemed necessary or appropriate. In the advisory agreement, the Company is charged with seeking the best overall terms in executing portfolio transactions and selecting brokers or dealers.

As required by the Investment Company Act of 1940, as amended ("Investment Company Act"), the advisory agreement with USGIF is subject to annual renewal and is terminable upon 60-day notice. The Board of Trustees of USGIF will meet to consider the agreement renewal in September 2020. Management anticipates that the advisory agreement will be renewed.

In addition to providing advisory services to USGIF, the Company provides advisory services to two ETFs. U.S. Global Jets ETF commenced operations in April 2015, and U.S. Global GO GOLD and Precious Metal Miners ETF commenced operations in June 2017. The advisory agreement for the ETFs has been renewed through September 2021.

Net assets under management on June 30, 2020, and June 30, 2019, are detailed in the following table.

<b>Assets Under Management ("AUM")</b>				
<b>Fund</b>	<b>Ticker</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	
<i>(dollars in thousands)</i>				
<b>U.S. Global Investors Funds</b>				
<b>Natural Resources</b>				
Global Resources	PSPFX	\$ 45,899	\$	60,805
World Precious Minerals	UNWPIX	87,275		72,144
Gold and Precious Metals	USERX	133,277		102,440
<b>Total Natural Resources</b>		<u>266,451</u>		<u>235,389</u>
<b>International Equity</b>				
Emerging Europe	EUROX	23,910		33,855
China Region	USCOX	12,640		15,247
<b>Total International Equity</b>		<u>36,550</u>		<u>49,102</u>
<b>Fixed Income</b>				
U.S. Government Securities Ultra-Short Bond	UGSDX	41,300		45,254
Near-Term Tax Free	NEARX	41,383		45,667
<b>Total Fixed Income</b>		<u>82,683</u>		<u>90,921</u>
<b>Domestic Equity</b>				
Holmes Macro Trends	MEGAX	28,453		36,224
All American Equity	GBTFX	11,760		13,969
<b>Total Domestic Equity</b>		<u>40,213</u>		<u>50,193</u>
<b>Total U.S. Global Investors Funds</b>		<u>425,897</u>		<u>425,605</u>
<b>ETF Clients</b>				
U.S. Global Jets ETF	JETS	1,201,641		69,557
U.S. Global GO GOLD and Precious Metal Miners ETF	GOAU	86,210		14,907
<b>Total ETF Clients</b>		<u>1,287,851</u>		<u>84,464</u>
<b>Total AUM</b>		<u>\$ 1,713,748</u>	<u>\$</u>	<u>510,069</u>

**Administrative Services.** The Company also manages, supervises and conducts certain other affairs of USGIF, subject to the control of the Funds' Board of Trustees pursuant to an administrative services agreement. The administrative services agreement with USGIF is subject to renewal on an annual basis and is terminable upon 60-day notice. The Board of Trustees of USGIF will meet to consider the agreement renewal in September 2020. Management anticipates that the administrative services agreement will be renewed.

## Corporate Investments

**Investment Activities.** In addition to providing management and advisory services, the Company is actively engaged in trading for its own account. See segment information in the Notes to the Consolidated Financial Statements at Note 17, Financial Information by Business Segment, of this Annual Report on Form 10-K.

## Additional Segment Information

See additional financial information about business segments in Part II, Item 8, Financial Statements and Supplementary Data at Note 17, Financial Information by Business Segment, of this Annual Report on Form 10-K.

## Employees

As of June 30, 2020, U.S. Global and its wholly-owned subsidiaries employed 21 full-time employees and 2 part-time employees. The Company considers its relationship with its employees to be good.

## Competition

The mutual fund industry is highly competitive. According to the Investment Company Institute, at the end of 2019 there were approximately 9,400 domestically registered open-end investment companies and approximately 2,200 exchange-traded funds of varying sizes and investment policies, whose shares are being offered to the public in the U.S. In addition to competition from other mutual fund managers and investment advisers, the Company and the mutual fund industry are in competition with various investment alternatives offered by insurance companies, banks, securities broker-dealers, and other financial institutions. Many of these institutions are able to engage in more liberal advertising than mutual funds and ETFs and may offer accounts at competitive interest rates, which may be insured by federally chartered corporations such as the Federal Deposit Insurance Corporation.

A number of mutual fund groups are significantly larger than the funds managed by U.S. Global, offer a greater variety of investment objectives and have greater resources to promote the sale of investments therein. However, the Company believes it has the resources, products, and personnel to compete with these other mutual funds. In particular, the Company is known for its expertise in the gold mining and exploration, natural resources and emerging markets. Competition for sales of fund shares is influenced by various factors, including investment objectives and performance, advertising and sales promotional efforts, distribution channels, and the types and quality of services offered to fund shareholders.

Success in the investment advisory business is substantially dependent on each fund's investment performance, the quality of services provided to shareholders, and the Company's efforts to market the Funds and ETFs effectively. Operating revenues from management and administrative services fees are based on the assets of the funds under management. Costs of distribution and compliance continue to put pressure on profit margins for the mutual fund industry.

Despite the Company's expertise in gold mining and exploration, natural resources, and emerging markets, the Company faces the same obstacle many advisers face, namely uncovering undervalued investment opportunities as the markets face further uncertainty and increased volatility. In addition, the growing number of alternative investments, especially in specialized areas, has created pressure on the profit margins and increased competition for available investment opportunities.

## Supervision and Regulation

The Company and the clients the Company manages and administers operate under certain laws, including federal and state securities laws, governing their organization, registration, operation, legal, financial, and tax status. Among the potential penalties for violation of the laws and regulations applicable to the Company are fines, imprisonment, injunctions, revocation of registration, and certain additional administrative sanctions. Any determination that the Company or its management has violated applicable laws and regulations could have a material adverse effect on the business of the Company. Moreover, there is no assurance that changes to existing laws, regulations, or rulings promulgated by governmental entities having jurisdiction over the Company and its clients will not have a material adverse effect on the Company's business. The Company has no control over regulatory rulemaking or the consequences it may have on the mutual fund and investment advisory industry.

Regulatory pronouncements and oversight have significantly increased the burden of compliance infrastructure with respect to the mutual fund industry and the capital markets. This momentum of regulations has contributed significantly to the costs of managing and administering mutual funds.

## [Table of Contents](#)

U.S. Global is registered as an investment adviser with the SEC. As a registered investment adviser, it is subject to the requirements of the Advisers Act, and the SEC's regulations thereunder, as well as to examination by the SEC's staff. The Advisers Act imposes substantive regulation on virtually all aspects of the Company's business and relationships with the Company's clients. Applicable rules relate to, among other things, fiduciary duties to clients, transactions with clients, effective compliance programs, conflicts of interest, advertising, recordkeeping, reporting, and disclosure requirements. The Funds and the ETFs for which the Company acts as the investment adviser are registered with the SEC under the Investment Company Act. The Investment Company Act imposes additional obligations, including detailed operational requirements for both funds and their advisers. Moreover, an investment adviser's contract with a registered fund may be terminated by the fund on not more than 60 days' notice and is subject to annual renewal by the fund's board after an initial two-year term. Both the Advisers Act and the Investment Company Act regulate the "assignment" of advisory contracts by the investment adviser. The SEC is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act and the Investment Company Act, ranging from fines and censures to termination of an investment adviser's registration. The failure of the Company, or the Funds and ETFs which the Company advises, to comply with the requirements of the SEC could have a material adverse effect on the Company. The Company is also subject to federal and state laws affecting corporate governance, including the Sarbanes-Oxley Act of 2002 ("S-Ox Act"), as well as rules adopted by the SEC.

U.S. Global is required to keep and maintain certain reports and records, which must be made available to the SEC upon request.

U.S. Global manages clients' portfolios on a discretionary basis, with the authority to enter into security transactions, select broker-dealers to execute trades, and negotiate brokerage commissions. The Company may receive soft dollar credits from certain broker-dealers that are used to pay for research and related services or products, which therefore has the effect of reducing certain operating expenses. These soft dollar arrangements are intended to be within the safe harbor provisions of the Securities Exchange Act of 1934. If the ability to use soft dollar arrangements were reduced or eliminated as a result of statutory amendments, new regulations or change in business practices, the Company's operating expenses would increase.

### **Relationships with Clients**

The business of the Company is to a very significant degree dependent on its association and contractual relationship with USGIF. In the event the advisory or administrative agreements with USGIF are canceled or not renewed pursuant to the terms thereof, the Company would be substantially adversely affected. U.S. Global considers its relationships with the Funds to be good, and management has no reason to believe that the management and service contracts will not be renewed in the future; however, there is no assurance that USGIF will choose to continue its relationship with the Company.

In addition, the Company is also dependent on its relationships with its exchange traded fund clients. Even though the Company views its relationship with its exchange traded fund clients as stable, the Company could be adversely affected if that relationship ended.

### **Available Information**

**Available Information.** The Company's Internet website address is [www.usfunds.com](http://www.usfunds.com). Information contained on the Company's website is not part of this annual report on Form 10-K. The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed with (or furnished to) the SEC are available through a link on the Company's Internet website, free of charge, as soon as reasonably practicable after such material is filed or furnished. (The link to the Company's SEC filings can be found at [www.usfunds.com](http://www.usfunds.com) by clicking "About Us," followed by "Investor Relations.") The Company routinely posts important information on its website.

The Company also posts its Corporate Governance Guidelines, Code of Business Conduct, Code of Ethics for Principal Executive and Senior Financial Officers and the charters of the audit and compensation committees of its Board of Directors on the Company's website in the "Policies and Procedures" section. The Company's SEC filings and governance documents are available in print to any stockholder that makes a written request to: Investor Relations, U.S. Global Investors, Inc., 7900 Callaghan Road, San Antonio, Texas 78229.

The Company files reports electronically with the SEC via the SEC's Electronic Data Gathering, Analysis and Retrieval system ("EDGAR"), which may be accessed through the Internet. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, at <http://www.sec.gov>.

## [Table of Contents](#)

Investors and others should note that we announce material financial information to our investors using the website, SEC filings, press releases, public conference calls and webcasts. We also use social media to communicate with our customers and the public about our company. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on social media channels listed below. This list may be updated from time to time.

<https://www.facebook.com/USFunds>  
<https://twitter.com/USFunds>  
<https://twitter.com/USGlobalETFs>  
<https://www.linkedin.com/company/u-s-global-investors>  
<https://www.instagram.com/usglobal>  
<https://pinterest.com/usfunds>  
<https://www.youtube.com/c/usglobalinvestorssanantonio>  
<https://www.youtube.com/channel/UCDkX1zvbWPYwC99esHOhrQ>

Information contained on our website or on social media channels is not deemed part of this report.

### **Item 1A. Risk Factors**

*The Company faces a variety of significant and diverse risks, many of which are inherent in the business. Described below are certain risks that could materially affect the Company. Other risks and uncertainties that the Company does not presently consider to be material, or of which the Company is not presently aware, may become important factors that affect it in the future. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations, or cash flow.*

#### ***The investment management business is intensely competitive.***

Competition in the investment management business is based on a variety of factors, including:

- Investment performance;
- Investor perception of an investment team's drive, focus, and alignment of interest with them;
- Quality of service provided to, and duration of relationships with, clients and shareholders;
- Business reputation; and
- Level of fees charged for services.

The Company competes with a large number of investment management firms, commercial banks, broker-dealers, insurance companies, and other financial institutions. Competitive risk is heightened by the fact that some competitors may invest according to different investment styles or in alternative asset classes which the markets may perceive as more attractive than the Company's investment approach. If the Company is unable to compete effectively, revenues and earnings may be reduced, and the business could be materially affected.

#### ***Poor investment performance could lead to a decline in revenues.***

Success in the investment management industry is largely dependent on investment performance relative to market conditions and the performance of competing products. Good relative performance generally attracts additional assets under management, resulting in additional revenues. Conversely, poor performance generally results in decreased sales and increased redemptions with a corresponding decrease in revenues. Therefore, poor investment performance relative to the portfolio benchmarks and to competitors could impair the Company's revenues and growth. The equity funds within USGIF have a performance fee whereby the base advisory fee is adjusted upwards or downwards by 0.25 percent if there is a performance difference of 5 percent or more between a Fund's performance and that of its designated benchmark index over the prior rolling 12 months.

#### ***The Company's clients can terminate their agreements with the Company on short notice, which may lead to unexpected declines in revenue and profitability.***

The Company's investment advisory agreements are generally terminable on short notice and subject to annual renewal. If the Company's investment advisory agreements are terminated, which may occur in a short time frame, the Company may experience a decline in revenues and profitability.



***Natural disasters, global pandemics and other unpredictable events could adversely affect our operations.***

Natural disasters, outbreaks of epidemics, terrorist attacks, extreme weather events or other unpredictable events could adversely affect our revenues, expenses, and net income by:

- decreasing investment valuations in, and returns on, the investment portfolios that we manage and our corporate portfolio, thus causing reductions and volatility in revenue,
- causing disruptions in national or global economies that decrease investor confidence and make investment products generally less attractive,
- incapacitating or reducing the availability of key personnel necessary to conduct our business activities,
- interrupting the Company's business operations or those of critical service providers,
- triggering technology delays or failures, and
- requiring substantial capital expenditures and operating expenses to remediate damage, replace our facilities, and restore our operations.

The Company's business operations are concentrated in San Antonio, Texas. The Company has developed various backup systems and contingency plans but cannot be assured that those preparations will be adequate in all circumstances that could arise, or that material interruptions and disruptions will not occur. The Company also relies to varying degrees on outside vendors for service delivery in addition to technology and disaster contingency support, and there is a risk that these vendors will not be able to perform in an adequate and timely manner. If the Company loses the availability of employees, or if it is unable to respond adequately to such an event in a timely manner, revenues, expenses, and net income could be negatively impacted.

Specifically, the effects of the outbreak of the novel coronavirus (COVID-19) since December 2019 have negatively affected the global economy, the United States economy and the global financial markets, and may disrupt the Company's operations and the Company's clients' operations, which could have an adverse effect on the Company's business, financial condition and results of operations. Although the long-term effects of the current pandemic cannot currently be predicted, previous occurrences of other pandemic and epidemic diseases had an adverse effect on the economies of those countries in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally, which would adversely affect the Company's business, financial condition and operations.

***Difficult market conditions can adversely affect the Company by reducing the market value of the assets we manage or causing shareholders to make significant redemptions.***

Changes in economic or market conditions may adversely affect the profitability, performance of and demand for the Company's investment products and services. Under the Company's advisory fee arrangements, the fees received are primarily based on the market value of assets under management. Accordingly, a decline in the price of securities held in funds under management would be expected to cause revenues and net income to decline, which would result in lower advisory fees, or cause increased shareholder redemptions in favor of investments they perceive as offering greater opportunity or lower risk, which redemptions would also result in lower advisory fees. The ability of the Company to compete and grow is dependent on the relative attractiveness of the types of investment products the Company offers and its investment performance and strategies under prevailing market conditions.

***Market-specific risks may negatively impact the Company's earnings.***

The Company manages certain funds in the emerging market and natural resources sectors, which are highly cyclical. The investments in the funds are subject to significant loss due to political, economic and diplomatic developments, currency fluctuations, social instability, and changes in governmental policies, including trading policies, regulatory requirements, tariffs and other barriers. Foreign trading markets, particularly in some emerging market countries, are often smaller, less liquid, less regulated and significantly more volatile than the U.S. and other established markets.

***The market price and trading volume of the Company's class A common stock may be volatile, which could result in rapid and substantial losses for the Company's stockholders.***

The market price of the Company's class A common stock may be volatile and the trading volume may fluctuate, causing significant price variations to occur. If the market price of the Company's class A common stock declines significantly, stockholders may be unable to sell their shares at or above their purchase price. The Company cannot assure that the market price of its class A common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of the Company's class A common stock, or result in fluctuations in price or trading volume, include:

- Decreases in assets under management;
- Variations in quarterly and annual operating results;
- Volatility in realized and unrealized gains or losses on corporate investments;
- Publication of research reports about the Company or the investment management industry;
- Departures of key personnel;
- Adverse market reactions to any indebtedness the Company may incur, acquisitions or disposals the Company may make, or securities the Company may issue in the future;
- Changes in market valuations of similar companies;
- Changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting the business, or enforcement of these laws and regulations, or announcements relating to these matters;
- Adverse publicity about the asset management industry, generally, or individual scandals, specifically; and
- General market and economic conditions.

In addition, the Company has invested in a security in the cryptocurrency mining industry through its corporate investments and indirectly through an investment accounted for under the equity method of accounting. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. This volatility may materially impact the Company's financial statements and thus affect the Company's common stock market price. In addition, the price of the Company's common stock may fluctuate to the extent that shareholders invest in the Company's common stock as a proxy for cryptocurrency. The investing public may be influenced by future anticipated appreciation or depreciation in value of cryptocurrencies or blockchain generally, factors over which the Company has little or no influence or control. The Company's stock price may also be subject to volatility due to supply and demand factors associated with few or limited public company options for investment in the segment, which may change over time.

***Investment income and assets may be negatively impacted by fluctuations in the Company's corporate investments.***

The Company currently has a substantial portion of its assets in corporate investments. These investments are subject to investment market risk, and investment income could be adversely affected by the realization of losses upon disposition of investments or the recognition of significant unrealized losses or impairments. Fluctuations in investment income are expected to continue in the future.

***The Company has exposure to the cryptocurrency markets through its investments.***

The Company has invested in a security in the cryptocurrency mining industry through its corporate investments and indirectly through an investment accounted for under the equity method of accounting. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. There is potential for significant volatility in the valuation of the Company's cryptocurrency-related investments.

***The market price of the Company's class A common stock could decline due to the large number of shares of the Company's class C common stock eligible for future sale upon conversion to class A shares.***

The market price of the Company's class A common stock could decline as a result of sales of a large number of shares of class A common stock eligible for future sale upon the conversion of class C shares, or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for the Company to raise additional capital by selling equity securities in the future, at a time and price the Company deems appropriate.

***Failure to comply with government regulations could result in fines, which could cause the Company's earnings and stock price to decline.***

The Company is subject to a variety of federal securities laws and agencies, including, but not limited to, the Advisers Act, the Investment Company Act, the S-Ox Act, the Gramm-Leach-Bliley Act of 1999, the Bank Secrecy Act of 1970, as amended, the USA PATRIOT Act of 2001, the SEC, FINRA, and NASDAQ. Moreover, financial reporting requirements and the processes, controls, and procedures that have been put in place to address them, are comprehensive and complex. While management has focused attention and resources on compliance policies and procedures, non-compliance with applicable laws or regulations could result in fines, sanctions or censures which could affect the Company's reputation, and thus its revenues and earnings.

***Our business is subject to substantial risk from litigation, regulatory investigations and potential securities laws liability.***

Many aspects of U.S. Global's business involve substantial risks of litigation, regulatory investigations and/or arbitration. The Company is exposed to liability under federal and state securities laws, other federal and state laws and court decisions, as well as rules and regulations promulgated by the SEC and other regulatory bodies. U.S. Global, its subsidiaries, and/or officers could be named as parties in legal actions, regulatory investigations and proceedings. An adverse resolution of any lawsuit, legal or regulatory proceeding or claim against the Company could result in substantial costs or reputational harm to the Company, and have a material adverse effect on the Company's business, financial condition or results of operations, which, in turn, may negatively affect the market price of the Company's common stock and U.S. Global's ability to pay dividends. In addition to these financial costs and risks, the defense of litigation or arbitration may divert resources and management's attention from operations.

***Higher insurance premiums and related insurance coverage risks could increase costs and reduce profitability.***

While U.S. Global carries insurance in amounts and under terms that it believes are appropriate, the Company cannot assure that its insurance will cover most liabilities and losses to which it may be exposed, or that our insurance policies will continue to be available at acceptable terms and fees. U.S. Global is subject to regulatory and governmental inquiries and civil litigation. An adverse outcome of any such proceeding could involve substantial financial penalties. From time to time, various claims against us arise in the ordinary course of business, including employment-related claims. There has been increased incidence of litigation and regulatory investigations in the financial services industry in recent years, including customer claims and class action suits alleging substantial monetary damages. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As U.S. Global's insurance policies come up for renewal, the Company may need to assume higher deductibles or co-insurance liabilities, or pay higher premiums, which would increase the Company's expenses and reduce net income.

***Increased regulatory and legislative actions and reforms could increase costs and negatively impact the Company's profitability and future financial results.***

The Company is subject to financial services laws, regulations, corporate governance requirements, administrative actions and policies. During the past two decades, federal securities laws have been substantially augmented and made significantly more complex by the S-Ox Act, the USA PATRIOT Act of 2001, and the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). With new laws and changes in interpretations and enforcement of existing requirements, the associated time the Company must dedicate to, and related costs the Company must incur in, meeting the regulatory complexities of the business have increased. In order to comply with these requirements, the Company has had to expend additional time and resources. Future changes in financial institution regulation may increase the costs of compliance and the complexity of operations.

Further, adverse results of regulatory investigations of mutual fund, investment advisory, and financial services firms could tarnish the reputation of the financial services industry generally, and mutual funds and investment advisers more specifically, causing investors to avoid further fund investments or redeem their balances. Redemptions would decrease the Company's assets under management, which would reduce its advisory revenues and net income.

***The Company intends to pay regular dividends to its stockholders, but the ability to do so is subject to the discretion of the Board of Directors.***

The Company intends to pay cash dividends on a monthly basis, but the Board of Directors, at its discretion, may decrease the level or frequency of dividends or discontinue payment of dividends entirely based on earnings, operations, capital requirements, general financial condition of the Company, and general business conditions.

***One person beneficially owns substantially all of our voting stock and controls the outcome of all matters requiring a vote of stockholders, which may influence the value of our publicly traded non-voting stock.***

Frank Holmes, CEO, is the beneficial owner of over 99 percent of our class C voting convertible common stock and controls the outcome of all issues requiring a vote of stockholders. All of our publicly traded stock is nonvoting stock. Consequently, except to the extent provided by law, stockholders other than Frank Holmes have no vote with respect to the election of directors or any other matter requiring a vote of stockholders. This lack of voting rights may adversely affect the market value of the publicly traded class A nonvoting common stock.

***The loss of key personnel could negatively affect the Company's financial performance.***

The success of the Company depends on key personnel, including the portfolio managers, analysts, and executive officers. Competition for qualified, motivated, and skilled personnel in the asset management industry remains significant. Moreover, in order to retain certain key personnel, the Company may be required to increase compensation to such individuals, resulting in additional expense. The loss of key personnel or the Company's failure to attract replacement personnel could negatively affect its financial performance.

***The Company could be subject to losses if it fails to properly safeguard sensitive and confidential information.***

As part of the Company's normal operations, it maintains and transmits certain confidential information about the Company and its clients as well as proprietary information relating to its business operations. These systems could be victimized by unauthorized users or corrupted by computer viruses or other malicious software code, or authorized persons could inadvertently or intentionally release confidential or proprietary information. Such a breach could subject the Company to liability for a failure to safeguard client data, result in the termination of relationships with our existing customers, require significant capital and operating expenditures to investigate and remediate the breach and subject the Company to regulatory action.

***We rely upon certain critical information systems for the operation of our business, and the failure of any critical information system, including a cyber-security breach, may result in harm to our business.***

We are heavily dependent on technology infrastructure and rely upon certain critical information systems for the effective operation of our business. These information systems include data network and telecommunications, internet access and our websites, and various computer hardware equipment and software applications. These information systems are subject to damage or interruption from a number of potential sources including natural disasters, software viruses or other malware, power failures, cyber-attacks and other events to the extent that these information systems are under our control. We have implemented measures, such as virus protection software, intrusion detection systems and emergency recovery processes to address the outlined risks. However, security measures for information systems cannot be guaranteed to be failsafe. Any compromise of our data security or our inability to use or access these information systems at critical points in time could unfavorably impact the timely and efficient operation of our business and subject us to additional costs and liabilities, which could adversely affect our results of operations. Finally, federal legislation relating to cyber-security threats could impose additional requirements on our operations.

***Adverse changes in foreign currencies could negatively impact financial results.***

We have certain corporate investments held in foreign currencies. Adverse changes in foreign currency exchange rates would also lower the value of those corporate investments. Certain assets under management also have exposure to foreign currency fluctuations in various markets, which could impact their valuation and thus the revenue we receive.

***Acquisitions involve inherent risks that could compromise the success of the combined business and dilute the holdings of current stockholders.***

As part of our business strategy, we may pursue corporate development transactions, including the acquisition of asset management firms. These transactions involve assessing the value, strengths, weaknesses, liabilities and potential profitability of the transactions, and if our assessment is incorrect, the success of the combined business could be jeopardized. In addition, such transactions are subject to acquisition costs and expenses, are likely to divert the attention of management's time, and can dilute the stockholders of the combined company if the acquisition is made for stock of the combined company.

**Item 1B. Unresolved Staff Comments**

Not applicable for smaller reporting companies.

**Item 2. Properties**

The Company presently owns and occupies an office building as its headquarters in San Antonio, Texas. The office building is approximately 46,000 square feet on approximately 2.5 acres of land.

**Item 3. Legal Proceedings**

There are no material legal proceedings in which the Company is involved.

**Item 4. Mine Safety Disclosures**

Not applicable.



## *Part II of Annual Report on Form 10-K*

### **Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities**

#### **Market Information**

U.S. Global Investors, Inc. ("U.S. Global" or the "Company") has three classes of common equity: class A, class B, and class C common stock, par value \$0.025 per share.

The Company's class A common stock is traded over-the-counter and is quoted daily under NASDAQ's Capital Markets. Trades are reported under the symbol "GROW."

There is no established public trading market for the Company's class B and class C common stock.

The Company's class A and class B common stock have no voting privileges.

#### **Holders**

On August 28, 2020, there were approximately 147 holders of record of class A common stock, no holders of record of class B common stock, and 24 holders of record of class C common stock.

#### **Securities authorized for issuance under equity compensation plans**

Information relating to equity compensation plans under which our stock is authorized for issuance is set forth in Item 12 of Part III of this Form 10-K under the heading "Equity Compensation Plan Information."

#### **Purchases of equity securities by the issuer**

The Company has a share repurchase program, approved by the Board of Directors, authorizing the Company to annually purchase up to \$2.75 million of its outstanding common shares, as market and business conditions warrant, on the open market in compliance with Rule 10b-18 of the Securities Exchange Act of 1934 through December 31, 2020. The repurchase program has been in place since December 2012, and the Board of Directors has annually renewed the repurchase program each calendar year.

[Table of Contents](#)

For the quarter ended June 30, 2020, the Company purchased a total of 32,901 class A shares using cash of \$39,000. The Company may repurchase class A stock from employees; however, none were repurchased from employees during the quarter ended June 30, 2020. The Company did not repurchase any classes B or C common stock during the quarter ended June 30, 2020.

*(dollars in thousands, except price data)*

<b>Period</b>	<b>Total Number of Shares Purchased<sup>1</sup></b>	<b>Total Amount Purchased</b>	<b>Average Price Paid Per Share<sup>2</sup></b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plan<sup>3</sup></b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan</b>
04-01-20 to 04-30-20	28,901	\$ 30	\$ 0.98	28,901	\$ 2,652
05-01-20 to 05-31-20	1,000	2	1.02	1,000	2,650
06-01-20 to 06-30-20	3,000	7	1.85	3000	2,643
Total	32,901	\$ 39	\$ 1.18	32,901	

- 1. The Board of Directors of the Company approved on December 7, 2012, and renewed annually, a repurchase of up to \$2.75 million in each of calendar years 2013 through 2020 of its outstanding class A common stock from time to time on the open market in accordance with all applicable rules and regulations.*
- 2. The average price paid per share of stock repurchased under the stock repurchase program includes the commissions paid to brokers.*
- 3. The repurchase plan was approved on December 7, 2012, renewed annually, and will continue through calendar year 2020. The total dollar amount of shares that may be repurchased in 2020 under the renewed program is \$2.75 million.*

## Item 6. Selected Financial Data

Not applicable for smaller reporting companies.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion reviews and analyzes the consolidated results of operations of U.S. Global Investors, Inc. and its subsidiaries (collectively, "U.S. Global" or the "Company") for the past two fiscal years and other factors that may affect future financial performance. This discussion should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements of this Annual Report on Form 10-K.

### Recent Trends in Financial Markets

The Company's operating revenues are highly correlated to the level of assets under management ("AUM") and fees associated with various investment products. While AUM is directly impacted by changes in the financial markets, it is also impacted by cash inflows or outflows due to shareholder activity. Performance fees on certain equity fund products may also impact revenues, either positively or negatively. Various products may have different fees, so changes in our product mix may also affect revenues. For example, international equity products will generally have a higher fee than fixed income products, so changes in assets in those products will have a larger impact on revenues.

While products are offered for a wide variety of markets, the Company has traditionally focused on gold mining and exploration, natural resources and emerging markets. These markets are volatile and cyclical.

Spot gold finished the fiscal year ended June 30, 2020, at \$1,780.96, up slightly more than 26 percent from June 30, 2019. The price climb was fairly steady with only four down price months but tended to accelerate its gains as the COVID-19 virus took hold of the world's economic outlook in the second half of the year. Unemployment has spiked with the various lockdowns across the U.S. to try and avoid spreading the virus. Some consumers can work from home but a host of other business in retail and particularly travel have been decimated. Relief in the form of direct cash to businesses and consumers from the government has been mobilized to try and shore up the economy, but it is not known how long this can be sustained. Coinciding with the virus wave, Saudi Arabia sought to kill off the lucrative U.S. oil fracking industry, which has essentially given the U.S. energy independence from imports, by flooding the market with oil. Oil futures for physical delivery went negative for several days as storage capacity around the world filled and there was nowhere left to physically store the oil. With the reduced driving from people desiring to stay at home, energy demand has tumbled. Job losses and bankruptcies in the oil and gas industry and others may push the Federal Reserve to test the limits of Modern Monetary Theory. The uncertainty associated with all this financial disruption has investors turning to gold to protect their purchasing power as government spending to shore up the economy is expanding dramatically.

The Company's emerging markets products saw diverging trends. Eastern European markets were only able to recover about half their losses after the initial COVID-19 wave that swept through, leaving them down almost 19 percent for the year. Despite all the trade tension between the U.S. and China, our China Region Fund finished the year with a slight gain. Much of their region has already come out of the first virus wave, and they have vastly more financial resources than Eastern Europe to weather the disruption.

The COVID-19 virus has created significant political tension in the U.S. with China as the upcoming presidential election approaches. With an annualized 32.9 percent decline in GDP for the June 2020 quarter, the current administration is eager to get the economy growing again and pushed to reopen the economy. Civil unrest has also increased, which has only helped to crystallize the divide over inequality, racial and social injustice. There is likely to be a demand for expanded social services that will be funded through taxes at a time when there is great financial stress. We would expect the U.S. dollar to decline in value, which will lead to a rise in commodity prices and be a boost to emerging markets currencies.

In addition to its gold, natural resources and emerging markets funds, the Company has domestic equity and fixed income funds in the U.S. While these products do not drive the Company's profitability as much as the more specialized products, they provide an opportunity to offer shareholders diversification and less volatility than the niche markets.

Mutual funds in general continued to see outflows compared to other investment alternatives, including ETFs. The Company has two ETF products listed on the New York Stock Exchange: the U.S. Global Jets ETF (ticker JETS), which concentrates on the U.S. and international airline industry, and the U.S. Global GO GOLD and Precious Metal Miners ETF (ticker GOAU), which invests in companies engaged in the production of precious metals either through active (mining or production) or passive (owning royalties or production streams) means.



## [Table of Contents](#)

The rapid spread of the global COVID-19 outbreak and actions taken in response have had a significant detrimental effect on the global and domestic economies and financial markets. Market declines affect the Company's assets under management, and thus its revenues and also the valuation of the Company's corporate investments. It is early to determine the long-term impact of current circumstances on the Company's business. Should this emerging macro-economic risk continue for an extended period, there could be an adverse material financial impact to the Company's business and investments, including a material reduction in its results of operations.

COVID-19-related circumstances (e.g., remote work arrangements) have not adversely affected the Company's ability to maintain operations, including financial reporting systems, internal controls over financial reporting, and disclosure controls and procedures.

Assets in the U.S. Global Jets ETF ("Jets ETF") (ticker JETS) started to accelerate in the latter part of March 2020, continuing through fiscal year-end. Assets in the Jets ETF were \$1.2 billion and \$70.0 million at June 30, 2020, and 2019, respectively. The Jets ETF invests in airline-related stocks, including global airline carriers, airport operators and aircraft manufacturers. While global financial markets have declined, including stocks in which the Jets ETF invests, this ETF has attracted inflows.

To manage expenses, the Company maintains a flexible structure for one of its largest costs, compensation expense, by setting relatively low base salaries with bonuses that are tied to fund and Company performance. Thus, the Company's expense model somewhat expands and contracts with asset swings and performance.

## **Business Segments**

The Company, with principal operations located in San Antonio, Texas, manages two business segments on a continuing operations basis:

1. Investment management services, through which the Company offers, to U.S. Global Investors Funds ("USGIF" or the "Fund(s)") and ETF clients, a range of investment management products and services to meet the needs of individual and institutional investors; and
2. Corporate investments, through which the Company invests for its own account in an effort to add growth and value to its cash position. The Company holds a significant amount of its total assets in investments.

<b>Assets Under Management ("AUM")</b>		
<i>(dollars in thousands)</i>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>Investment Management Services</b>		
USGIF	\$ 425,897	\$ 425,605
ETF Clients	1,287,851	84,464
<b>Total AUM</b>	<b>\$ 1,713,748</b>	<b>\$ 510,069</b>

On June 30, 2020, total AUM as of period end was \$1.7 billion compared to \$510 million on June 30, 2019, an increase of \$1.2 billion, or 236.0 percent. The increase was primarily due to inflows into ETF clients, primarily the U.S. Global Jets ETF ("Jets ETF").

During fiscal year 2020, average AUM was \$699.5 million compared to \$529.0 million in fiscal year 2019, an increase of 32.2 percent. The increase was primarily due to inflows into the Jets ETF, resulting in an increase in assets, that accelerated starting in the latter part of March 2020, continuing through the June 2020 fiscal year-end. The Jets ETF invests in airline-related stocks, including global airline carriers, airport operators and aircraft manufacturers. While global financial markets have experienced declines and volatility, including stocks in which the Jets ETF invests, this ETF has attracted inflows. The increase in average assets in Jets ETF in the current year was partially offset by lower average assets in USGIF, as discussed in more detail below.

The following is a brief discussion of the Company's two business segments on a continuing operations basis.

**Investment Management Services**

In fiscal year 2020, the Company generated a majority of its operating revenues from managing and servicing the Funds. The Company recorded advisory and administrative services fees from USGIF totaling approximately \$2.7 million and \$2.9 million in fiscal 2020 and fiscal 2019, respectively. These revenues are largely dependent on the total value and composition of assets under its management. Fluctuations in the markets and investor sentiment directly impact the Funds' asset levels, thereby affecting income and results of operations. Detailed information regarding the Funds managed by the Company within USGIF can be found on the Company's website, [www.usfunds.com](http://www.usfunds.com), including the prospectus and performance information for each fund. The mutual fund shareholders in USGIF are not required to give advance notice prior to redemption of shares in the Funds, and the USGIF funds do not currently charge a redemption fee.

Investment base advisory fees from USGIF are calculated as a percentage of average net assets, ranging from 0.375 percent to 1.25 percent, and are paid monthly. The base advisory fee on the equity funds within USGIF is adjusted upward or downward based on performance. For the years ended June 30, 2020 and 2019, the Company adjusted its base advisory fees downward by \$525,000 and \$544,000, respectively. USGIF advisory fees in total, including performance adjustments, decreased by approximately \$118,000, or 4.4 percent, in fiscal year 2020 compared to fiscal year 2019, primarily as a result of a decrease in average assets under management primarily driven by shareholder redemptions.

Mutual fund investment advisory fees are also affected by changes in assets under management, which include:

- market appreciation or depreciation;
- the addition of new fund shareholder accounts;
- fund shareholder contributions of additional assets to existing accounts;
- withdrawals of assets from and termination of fund shareholder accounts;
- exchanges of assets between accounts or products with different fee structures; and
- the amount of fees voluntarily reimbursed.

The following tables summarize the changes in assets under management for USGIF for fiscal years 2020 and 2019.

<i>(dollars in thousands)</i>	2020		
	Equity	Fixed Income	Total
Beginning Balance	\$ 334,684	\$ 90,921	\$ 425,605
Market appreciation	53,103	1,535	54,638
Dividends and distributions	(2,973)	(984)	(3,957)
Net shareholder redemptions	(41,600)	(8,789)	(50,389)
Ending Balance	\$ 343,214	\$ 82,683	\$ 425,897
Average investment management fee	0.96%	0.01%	0.76%
Average net assets	\$ 322,452	\$ 86,572	\$ 409,024

<i>(dollars in thousands)</i>	2019		
	Equity	Fixed Income	Total
Beginning Balance	\$ 389,442	\$ 106,231	\$ 495,673
Market appreciation (depreciation)	(17,957)	1,769	(16,188)
Dividends and distributions	(20,774)	(1,275)	(22,049)
Net shareholder redemptions	(16,027)	(15,804)	(31,831)
Ending Balance	\$ 334,684	\$ 90,921	\$ 425,605
Average investment management fee	0.97%	0.01%	0.75%
Average net assets	\$ 332,833	\$ 98,063	\$ 430,896

As shown above, average assets under management for USGIF decreased in fiscal year 2020 compared to fiscal year 2019. The decrease in average assets under management in fiscal year 2020 was primarily due to shareholder redemptions across all sectors of funds. A significant portion of the dividends and distributions shown above are reinvested and included in net shareholder purchases (redemptions).

[Table of Contents](#)

Period-end assets in USGIF increased slightly in total. The gold and precious minerals funds increased in net assets since the prior year-end, primarily due to market appreciation, while fixed income and other equity funds declined.

The average annualized investment management fee rate (total advisory fees, excluding performance fees, as a percentage of average assets under management) was 76 basis points in fiscal year 2020 and 75 basis points in fiscal year 2019. The average investment management fee for equity funds in fiscal year 2020 and 2019 was 96 and 97 basis points, respectively. The average investment management fee for the fixed income funds was 1 basis point for both fiscal year 2020 and 2019. The low fee rate for the fixed income funds is due to voluntary fee waivers on these funds as discussed in Note 5, Investment Management and Other Fees, in the Consolidated Financial Statements of this Annual Report on Form 10-K.

The Company also serves as investment advisor to two exchange-traded fund clients: U.S. Global Jets ETF and U.S. Global GO GOLD and Precious Metal Miners ETF. The Company receives a unitary management fee of 0.60 percent of average net assets and has agreed to bear all expenses of the ETFs. The Company recorded advisory fees from the ETF clients totaling \$1.7 million and \$588,000 in fiscal 2020 and fiscal 2019, respectively. As noted above, assets in both ETFs increased in fiscal 2020, primarily in the Jets ETF. Information on the ETFs can be found at [www.usglobletfs.com](http://www.usglobletfs.com), including the prospectus, performance and holdings. The ETFs' authorized participants are not required to give advance notice prior to redemption of shares in the ETFs, and the ETFs do not charge a redemption fee.

### Corporate Investments

Management believes it can more effectively manage the Company's cash position by maintaining certain types of investments utilized in cash management and continues to believe that such activities are in the best interest of the Company.

The following summarizes the cost, unrealized gain or loss, and fair value on investments recorded at fair value as of June 30, 2020, and June 30, 2019.

Securities at Fair Value	Cost	Unrealized Gain (Loss)	Fair Value
<i>(dollars in thousands)</i>			
Securities at fair value <sup>1</sup>	\$ 12,928	\$ (1,464)	\$ 11,464
Total at June 30, 2020	<u>\$ 12,928</u>	<u>\$ (1,464)</u>	<u>\$ 11,464</u>
Securities at fair value <sup>1</sup>	\$ 14,640	\$ 547	\$ 15,187
Total at June 30, 2019	<u>\$ 14,640</u>	<u>\$ 547</u>	<u>\$ 15,187</u>

1. Changes in unrealized and realized gains and losses on securities at fair value are included in earnings in the statement of operations.

The investments shown above include investments at fair value of \$7.0 million and \$8.8 million, as of June 30, 2020, and 2019, respectively, invested in USGIF funds the Company advised.

Investment income (loss) from the Company's investments includes:

- realized gains and losses on sales of securities;
- unrealized gains and losses on fair valued securities;
- realized foreign currency gains and losses;
- realized gains and losses on sale of subsidiary;
- impairments and observable price changes on equity investments without readily determinable fair values; and
- dividend and interest income.

Investment income can be volatile and may vary depending on market fluctuations, the Company's ability to participate in investment opportunities, and timing of transactions. A significant portion of the unrealized gains and losses is concentrated in a small number of issuers. For fiscal year 2020, the Company had a total investment loss of \$2.2 million, compared to a \$1.6 million investment loss in fiscal year 2019. Due to market volatility, the Company expects that gains or losses will continue to fluctuate in the future.

[Table of Contents](#)

A significant portion of the securities recorded at fair value in the above table is an investment in HIVE Blockchain Technologies Ltd. (“HIVE”), which was valued at \$2.4 million at June 30, 2020, and \$3.6 million at June 30, 2019. HIVE is discussed in more detail in Note 4, Investments, to the Consolidated Financial Statements of this Annual Report on Form 10-K. HIVE is a company that is headquartered and traded in Canada with cryptocurrency mining facilities in Iceland, Sweden, and Canada. Frank Holmes, CEO, is the non-executive chairman of HIVE. Effective August 31, 2018, Mr. Holmes was named Interim Executive Chairman of HIVE while a search for a new CEO is undertaken. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. There has been significant volatility in the market price of HIVE, which has materially impacted the investment’s value included on the balance sheet and unrealized gain (loss) recognized in investment income.

In addition to the investments above, as of June 30, 2020, and 2019, the Company owned other investments of approximately \$1.3 million and \$1.4 million, respectively, classified as securities without readily determinable fair values. The Company also held notes receivable of approximately \$199,000 at June 30, 2019.

The Company also held an investment of approximately \$158,000 and \$309,000 as of June 30, 2020, and 2019, respectively, accounted for under the equity method of accounting. This investment was in the Galileo Technology and Blockchain LP, a Canadian limited partnership managed by Galileo Global Equity Advisors Inc. (“Galileo”). During fiscal 2019, the Company was also invested in the Galileo Technology and Blockchain Fund, a Canadian unit trust investment fund managed by Galileo. Under the equity method, the Company’s proportional share of the fund’s net income or loss, which primarily consists of realized and unrealized gains and losses on investments offset by fund expenses, is recognized in the Company’s earnings. Income (loss) from these equity method investments was (\$142,000) and \$23,000 for fiscal years 2020 and 2019, respectively. See further discussion on these equity method investments in Note 4, Investments, to the Consolidated Financial Statements of this Annual Report on Form 10-K.

### Consolidated Results of Operations

The following is a discussion of the consolidated results of operations of the Company and a detailed discussion of the Company’s revenues and expenses.

<i>(dollars in thousands, except per share data)</i>	Year Ended June 30,	
	2020	2019
Loss from Continuing Operations	\$ (4,464)	\$ (3,292)
Loss from Discontinued Operations	(338)	(147)
Less: Net Loss Attributable to Non-Controlling Interest from Discontinued Operations	(118)	(51)
Net Loss Attributable from Discontinued Operations to U.S. Global Investors, Inc.	(220)	(96)
Net Loss Attributable to U.S. Global Investors, Inc.	<u>\$ (4,684)</u>	<u>\$ (3,388)</u>
<b>Weighted average number of outstanding shares</b>		
Basic	15,108,394	15,138,351
Effect of dilutive securities :		
Employee stock options	-	-
Diluted	<u>15,108,394</u>	<u>15,138,351</u>
<b>Earnings Per Share Attributable to U.S. Global Investors, Inc.</b>		
<b>Basic Net Loss per Share</b>		
Loss from continuing operations	\$ (0.30)	\$ (0.22)
Loss from discontinued operations	\$ (0.01)	\$ -
Net loss	<u>\$ (0.31)</u>	<u>\$ (0.22)</u>
<b>Diluted Net Loss per Share</b>		
Loss from continuing operations	\$ (0.30)	\$ (0.22)
Loss from discontinued operations	\$ (0.01)	\$ -
Net loss	<u>\$ (0.31)</u>	<u>\$ (0.22)</u>

**Year Ended June 30, 2020, Compared with Year Ended June 30, 2019**

The Company posted a net loss attributable to U.S. Global Investors, Inc., as shown in the Consolidated Statements of Operations, of \$4.7 million (\$0.31 per share loss) for the year ended June 30, 2020, compared with a net loss attributable to U.S. Global Investors, Inc. of \$3.4 million (\$0.22 per share loss) for the year ended June 30, 2019, an increase in loss of approximately \$1.3 million. The increase in loss is primarily due to a decrease in tax benefit, an increase in investment loss resulting from unrealized losses and a decrease in income from equity method investments, somewhat offset by a decrease in operating loss due to an increase in assets under management, as discussed further below.

**Operating Revenues**

<i>(dollars in thousands)</i>	<b>2020</b>	<b>2019</b>	<b>\$ Change</b>	<b>% Change</b>
Investment advisory fees - USGIF:				
Natural resources funds	\$ 1,779	\$ 1,812	\$ (33)	(1.8%)
International equity funds	464	450	14	3.1%
Domestic equity funds	316	418	(102)	(24.4%)
Fixed income funds	9	6	3	50.0%
Total investment advisory fees - USGIF	2,568	2,686	(118)	(4.4%)
ETF advisory fees	1,743	588	1,155	196.4%
Total advisory fees	4,311	3,274	1,037	31.7%
USGIF administrative services fees	165	185	(20)	(10.8%)
<b>Total Operating Revenues</b>	<b>\$ 4,476</b>	<b>\$ 3,459</b>	<b>\$ 1,017</b>	<b>29.4%</b>

Total consolidated operating revenues for the year ended June 30, 2020, increased \$1.0 million, or 29.4 percent, compared with the year ended June 30, 2019. This increase was primarily attributable to the following:

- Advisory fees increased by \$1.0 million, or 31.7 percent, primarily as the result of higher ETF assets under management. Advisory fees are comprised of two components: a base management fee and a performance fee.
  - o Base management fees increased approximately \$1.0 million. ETF unitary management fees increased due to an increase in ETF average assets under management, primarily in the Jets ETF. The Jets ETF invests in airline-related stocks, including global airline carriers, airport operators and aircraft manufacturers. While global financial markets have experienced declines and volatility, including stocks in which the Jets ETF invests, this ETF has attracted inflows. Base fees for USGIF decreased primarily as a result of lower average assets under management, primarily due to shareholder redemptions.
  - o Performance fee adjustments for USGIF paid out in the current year were \$525,000 compared to \$544,000 paid out in the prior year, a positive change of \$19,000. The USGIF performance fee, which applies to the equity funds only, is a fulcrum fee that is adjusted upwards or downwards by 0.25 percent when there is a performance difference of 5 percent or more between a fund's performance and that of its designated benchmark index over the prior rolling 12 months.
- Administrative services fees decreased by \$20,000, or 10.8 percent, primarily as a result of lower net assets under management upon which these fees are based in the current period. These fees are paid by USGIF based on average daily net assets for administrative services provided by the Company to the Funds.

**Advisory Fees.** Advisory fees, the largest component of the Company's operating revenues, are derived from two sources: USGIF advisory fees and exchange-traded fund advisory fees. In fiscal year 2020, these sources accounted for 57.4 percent and 38.9 percent, respectively, of the Company's operating revenues.

Investment base advisory fees from USGIF are calculated as a percentage of average net assets, ranging from 0.375 percent to 1.25 percent, and are paid monthly. The base advisory fee on the equity funds within USGIF is adjusted upward or downward based on performance. For the years ended June 30, 2020 and 2019, the Company adjusted its base advisory fees downward by \$525,000 and \$544,000, respectively. USGIF advisory fees in total, including performance adjustments, decreased by approximately \$118,000, or 4.4 percent, in fiscal year 2020 compared to fiscal year 2019, primarily as a result of a decrease in average assets under management driven by shareholder redemptions.

[Table of Contents](#)

Mutual fund investment advisory fees are also affected by changes in assets under management, which include:

- market appreciation or depreciation;
- the addition of new fund shareholder accounts;
- fund shareholder contributions of additional assets to existing accounts;
- withdrawals of assets from and termination of fund shareholder accounts;
- exchanges of assets between accounts or products with different fee structures; and
- the amount of fees voluntarily reimbursed.

The Company also serves as investment advisor to two exchange-traded fund clients: U.S. Global Jets ETF and U.S. Global GO GOLD and Precious Metal Miners ETF. The Company receives a unitary management fee of 0.60 percent of average net assets and has agreed to bear all expenses of the ETFs. The Company recorded advisory fees from the ETF clients of \$1.7 million and \$588,000 in fiscal years 2020 and 2019, respectively, due to an increase in assets as discussed above

### Operating Expenses

<i>(dollars in thousands)</i>	2020	2019	\$ Change	% Change
Employee compensation and benefits	\$ 2,840	\$ 2,884	\$ (44)	(1.5%)
General and administrative	3,663	2,920	743	25.4%
Advertising	174	198	(24)	(12.1%)
Depreciation and amortization	202	214	(12)	(5.6%)
Total	<u>\$ 6,879</u>	<u>\$ 6,216</u>	<u>\$ 663</u>	10.7%

Total operating expenses increased \$663,000, or 10.7 percent, compared with the previous fiscal year. This increase was primarily attributable to an increase in general and administrative expenses, somewhat offset by decrease in employee compensation and benefits, as described below.

**Employee Compensation and Benefits.** Employee compensation and benefits decreased \$44,000, or 1.5 percent, in fiscal year 2020, primarily as a result of a decrease in employee salaries, somewhat offset by higher performance bonuses.

**General and Administrative.** General and administrative expenses increased \$743,000, or 25.4 percent, in fiscal year 2020, primarily due to increased fund and sales promotion expenses, primarily related to the ETFs.

### Other Income (Loss)

<i>(dollars in thousands)</i>	2020	2019	\$ Change	% Change
Investment loss	\$ (2,211)	\$ (1,582)	\$ (629)	(39.8%)
Income (loss) from equity method investments	(142)	23	(165)	(717.4%)
Other income	117	47	70	148.9%
<b>Total Other Income (Loss)</b>	<u>\$ (2,236)</u>	<u>\$ (1,512)</u>	<u>\$ (724)</u>	(47.9%)

Total consolidated other income (loss) for the year ended June 30, 2020, decreased \$724,000, or 47.9 percent, compared with the year ended June 30, 2019. The decrease was primarily due to the following components and factors:

- Investment loss was \$2.2 million for the year ended June 30, 2020, compared to investment loss of \$1.6 million for the year ended June 30, 2019, an increase in loss of approximately \$629,000. Investment income (loss) is dependent on market fluctuations and does not remain at a consistent level.
  - o The current year had net unrealized losses of \$2.0 million, realized gains from sales of \$151,000, and \$285,000 in impairment losses compared to the prior year, which had net unrealized losses of \$1.8 million, realized gains from sales of \$23,000, and \$114,000 in impairment losses.
  - o The \$151,000 realized gain in the current year was from the sale of Galileo. As noted previously, USCAN had held a 65 percent controlling interest in Galileo. Galileo, pursuant to a capital restructuring, agreed to purchase back all of its common shares owned by the USCAN. This transaction closed in March 2020. See further information on this transaction in Note 3, Discontinued Operations, to the Consolidated Financial Statements of this Annual Report on Form 10-K.

## [Table of Contents](#)

- o Also, realized foreign currency loss was \$232,000 and \$26,000 in the current and prior fiscal year, respectively. The current year foreign currency loss includes \$228,000 in foreign currency losses released from other comprehensive income (loss) upon the sale of Galileo.
  - o Dividend and interest income decreased from the prior period by \$158,000, primarily due to certain interest-producing investments being redeemed or paid off.
  - o Note that a significant portion of corporate investments is held in an equity security in the business of mining cryptocurrency. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. See further discussion of this security and other investments in Note 4, Investments, to the Consolidated Financial Statements of this Annual Report on Form 10-K.
- The Company recorded a loss from equity method investments of \$142,000 for the year ended June 30, 2020, compared to \$23,000 income for the year ended June 30, 2019, a negative change of approximately \$165,000. The investments were in Galileo offerings and concentrated in technology and cryptocurrency mining stocks. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. There is potential for continued significant volatility in the valuation of the equity method investment currently held, and thus the portion of the entity's net income or loss that is included in the Company's earnings. See further discussion on these equity method investments in Note 4, Investments, to the Consolidated Financial Statements of this Annual Report on Form 10-K.

### **Provision for Income Taxes**

A tax benefit from continuing operations of \$175,000 was recorded for the year ended June 30, 2020, compared to a tax benefit of \$977,000 for the year ended June 30, 2019. The tax benefit in the current period is primarily the result of a decline in valuation of certain investments held by U.S. Global Investors (Canada) Limited, somewhat offset by an increase in valuation allowance.

The Company and its non-Canadian subsidiaries file a consolidated U.S. federal income tax return. USCAN files a separate tax return in Canada. Provisions for income taxes include deferred taxes for temporary differences in the bases of assets and liabilities for financial and tax purposes resulting from the use of the liability method of accounting for income taxes. Note that the Company currently has net operating loss carryovers in most jurisdictions, including the U.S.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax amount will not be realized. A valuation allowance to fully reserve for the net operating loss carryforward, other carryovers and certain book/tax differences in the balance sheet is included in the net deferred tax balances in the amount of \$2.8 million at June 30, 2020, and \$1.9 million at June 30, 2019. In assessing the valuation allowance, the Company considered, among other matters, the nature, frequency and severity of recent losses, forecast of future profitability, and the duration of statutory carry back and carry forward periods.

### **Loss from Discontinued Operations**

Loss from discontinued operations represents results of the Company's subsidiary Galileo, which was sold on March 2, 2020. Loss from discontinued operations, net of tax, was \$338,000 and \$147,000 for the years ended June 30, 2020, and 2019, respectively. See Note 3, Discontinued Operations, to the Consolidated Financial Statements of this Annual Report on Form 10-K, for further information on this transaction and the results from Galileo operations. Galileo's advisory fee revenue, which consisted of base advisory fees and performance fees, decreased from approximately \$1.5 million in fiscal 2019 to \$235,000 for the eight months through the March 2, 2020, closing date of sale. Galileo's revenue from base advisory fees was lower in the current period due to the closure in July 2019 of one of the mutual funds managed by Galileo, the closure in September 2019 of the ETF managed by Galileo, and the current period including only eight months of revenue prior to closing of the sale. Performance fees also declined as there were no performance fees for Galileo clients received in the current period compared to \$921,000 received in the corresponding period in the prior year. Galileo received performance fees from certain clients when market appreciation or realized net gains exceeded established benchmarks. The decrease in revenue from the prior period was somewhat offset by lower expenses, primarily due to lower fund expenses, lower compensation due to a decrease in employees, and the current period including only eight months of expenses prior to closing of the sale.

### **Off Balance Sheet Arrangements**

The Company does not have any off balance sheet arrangements.

**Contractual Obligations**

A summary of contractual obligations of the Company as of June 30, 2020, is as follows:

<b>Contractual Obligations</b>	<b>Payments due by period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>More than 5 years</b>
<i>(dollars in thousands)</i>					
Operating lease obligations	\$ 97	\$ 53	\$ 44	\$ -	\$ -
Contractual obligations	414	346	68	-	-
<b>Total</b>	<b>\$ 511</b>	<b>\$ 399</b>	<b>\$ 112</b>	<b>\$ -</b>	<b>\$ -</b>

Operating leases consist of office equipment. Contractual obligations primarily consist of agreements for services used in daily operations and for marketing and distribution. Other contractual obligations not included in this table consist of agreements to waive or reduce fees and/or pay expenses on certain funds. Future obligations under these agreements are dependent upon future levels of fund assets.

The Board of Directors has authorized a monthly dividend of \$0.0025 per share from July 2020 through September 2020, at which time the Board of Directors will consider continuation of the dividend. Payment of cash dividends is within the discretion of the Company's Board of Directors and is dependent on earnings, operations, capital requirements, general financial condition of the Company, and general business conditions. The total amount of cash dividends to be paid to class A and class C shareholders from July 2020 to September 2020 will be approximately \$113,000, which is included as dividends payable in the Consolidated Balance Sheets at June 30, 2020.

**Liquidity and Capital Resources**

At June 30, 2020, the Company had net working capital (current assets minus current liabilities) of approximately \$8.5 million and a current ratio (current assets divided by current liabilities) of 5.2 to 1. With approximately \$1.9 million in cash and cash equivalents and \$11.4 million in unrestricted securities recorded at fair value, which together comprise approximately 71 percent of total assets, the Company has adequate liquidity to meet its current obligations. Total shareholders' equity attributable to U.S. Global Investors, Inc. was approximately \$16.8 million.

Effective April 12, 2020, the Company was approved for a loan of approximately \$442,000 under the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Company has under 25 employees and is considered a small business. The interest rate on the loan is one percent fixed, and the maturity date is April 12, 2022. Payment terms are to make seventeen consecutive monthly payments of principal and interest in an amount sufficient to fully amortize the loan over the remaining term, commencing six months after the effective date, and a final payment on the earliest of the acceleration of the promissory note; or the maturity date. The PPP Loan contains events of default and other provisions customary for a loan of this type.

A key feature of the PPP is that loan proceeds used by borrowers to pay certain expenses during a specified period following origination of the loan may qualify to be forgiven. The Company is not yet able to determine the amount that might be forgiven due to evolving guidance. As of June 30, 2020, the Company was in full compliance with all covenants with respect to the PPP Loan.

The Company's primary commitment going forward is for operating expenses. The Company also has access to a \$1 million credit facility, which can be utilized for working capital purposes. The credit facility is collateralized by approximately \$1 million, included in restricted cash on the balance sheet, held in deposit in a money market account at the financial institution that provided the credit facility. As of June 30, 2020, this credit facility remained unused by the Company.

Investment advisory contracts pursuant to the Investment Company Act of 1940 and related affiliated contracts in the U.S., by law, may not exceed one year in length and, therefore, must be renewed at least annually after an initial two-year term. The investment advisory and related contracts between the Company and USGIF expire in September 2020. The Board of Trustees of USGIF will meet to consider the agreement renewals in September 2020. Management anticipates that these agreements will be renewed. The advisory agreement for the ETFs has been renewed through September 2021.



## [Table of Contents](#)

The primary cash requirements are for operating activities. The Company also uses cash to purchase investments, pay dividends and repurchase Company stock. The cash outlays for investments and dividend payments are discretionary and management or the Board may discontinue as deemed necessary. The stock repurchase plan is approved through December 31, 2020, but may be suspended or discontinued at any time. Cash and unrestricted marketable securities of approximately \$13.4 million are available to fund current activities.

Management believes current cash reserves, investments, and financing available will be sufficient to meet foreseeable cash needs for operating activities.

The rapid spread of the global COVID-19 outbreak and actions taken in response have had a significant detrimental effect on the global and domestic economies and financial markets. Market declines affect the Company's assets under management, and thus its revenues and also the valuation of the Company's corporate investments. It is early to determine the long-term impact of current circumstances on the Company's business. Should this emerging macro-economic risk continue for an extended period, there could be an adverse material financial impact to the Company's business and investments, including a material reduction in its results of operations.

### **Critical Accounting Estimates**

The discussion and analysis of financial condition and results of operations are based on the Company's financial statements, which have been prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP"). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, and expenses. Management reviews these estimates on an ongoing basis. Estimates are based on experience and on various other assumptions that the Company believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. While significant accounting policies are described in more detail in Note 2 to the consolidated financial statements, the Company believes the accounting policies that require management to make assumptions and estimates involving significant judgment are those relating to valuation of investments, income taxes, and valuation of stock-based compensation.

**Principles of Consolidation.** The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: U.S. Global Investors (Bermuda) Limited ("USBERM"), U.S. Global Brokerage, Inc. ("USGB"), U.S. Global Investors (Canada) Limited ("USCAN") and U.S. Global Indices, LLC. On July 27, 2018, USGB was dissolved.

Until March 2, 2020, the Company, through USCAN, owned 65 percent of the issued and outstanding shares of Galileo and represented controlling interest of Galileo. Galileo was consolidated with USCAN and the non-controlling interest in this subsidiary is included in "non-controlling interest in subsidiary" in the equity section of the Consolidated Balance Sheets.

There are two primary consolidation models in U.S. GAAP, the variable interest entity ("VIE") and voting interest entity models. The Company's evaluation for consolidation includes whether entities in which it has an interest or from which it receives fees are VIEs and whether the Company is the primary beneficiary of any VIEs identified in its analysis. A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) the group of holders of the equity investment at risk lack certain characteristics of a controlling financial interest. The primary beneficiary is the entity that has the obligation to absorb a majority of the expected losses or the right to receive the majority of the residual returns and consolidates the VIE on the basis of having a controlling financial interest.

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, certain funds it advises, specifically, certain funds in USGIF. The Company's interests in these VIEs consist of the Company's direct ownership therein and any fees earned but uncollected. In the ordinary course of business, the Company may choose to waive certain fees or assume operating expenses of the funds it advises for competitive, regulatory or contractual reasons (see Note 5 Investment Management and Other Fees to the Consolidated Financial Statements of this Annual Report on Form 10-K for information regarding fee waivers). The Company has not provided financial support to any of these entities outside the ordinary course of business. The Company's risk of loss with respect to these VIEs is limited to the carrying value of its investments in, and fees receivable from, the entities. The Company does not consolidate these VIEs because it is not the primary beneficiary.

Since the Company is not the primary beneficiary of the above funds it advises, the Company evaluated if it should consolidate under the voting interest entity model. Under the voting interest model, for legal entities other than partnerships, the usual condition for control is ownership, directly or indirectly, of more than 50 percent of the outstanding voting shares over an entity. The Company does not have control of any of the above funds it advises; therefore, the Company does not consolidate any of these funds.

## [Table of Contents](#)

The Company currently holds a variable interest in a fund organized as a limited partnership advised by Galileo, and during fiscal year 2019 held a variable interest in another fund advised by Galileo, but these entities do not qualify as VIEs. Since they are not VIEs, the Company evaluated if it should consolidate them under the voting interest entity model. Under the voting interest model, for legal entities other than partnerships, the usual condition for control is ownership, directly or indirectly, of more than 50 percent of the outstanding voting shares over an entity. The Company does not have control of the entities and, therefore, does not consolidate them. However, the Company was considered to have the ability to exercise significant influence. Thus, the investments have been accounted for under the equity method of accounting.

**Investments.** The Company records security transactions on trade date. Realized gains (losses) from security transactions are calculated on the first-in/first-out cost basis, unless otherwise identifiable, and are recorded in earnings on the date of sale.

**Investments in Equity Securities.** Equity securities are generally carried at fair value on the Consolidated Balance Sheets with changes in the fair value recorded through earnings within investment income (loss).

**Investments in Debt Securities.** The Company classifies debt investments as available-for-sale or held-to-maturity based on the Company's intent to sell the security or, its intent and ability to hold the debt security to maturity. Available-for-sale debt securities are reported at fair value, and changes in unrealized gains and losses are reported net of tax in accumulated other comprehensive income. Upon the disposition of an available-for-sale security, the Company reclassifies the gain or loss on the security from accumulated other comprehensive income to investment income (loss). Held-to-maturity debt securities are purchased with the intent and ability to hold until maturity and are measured at amortized cost.

**Other Investments.** Other investments consist of equity investments in entities over which the Company is unable to exercise significant influence and which do not have readily determinable fair values. For these securities, the Company generally elects to value using the measurement alternative, under which such securities will be measured at cost, less impairment, plus or minus observable price changes for identical or similar securities of the same issuer with such changes recorded in investment income (loss).

**Equity Method Investments.** Investments classified as equity method consist of investments in companies in which the Company is able to exercise significant influence but not control. Under the equity method of accounting, the investment is initially recorded at cost, then the Company's proportional share of investee's underlying net income or loss is recorded as a component of "other income" with a corresponding increase or decrease to the carrying value of the investment. Distributions received from the investee reduce the Company's carrying value of the investment. These investments are evaluated for impairment if events or circumstances arise that indicate that the carrying amount of such assets may not be recoverable.

**Fair Value of Financial Instruments.** The financial instruments of the Company are reported on the Consolidated Balance Sheets at market or fair values or at carrying amounts that approximate fair values.

**Non-Controlling Interests.** The Company reports "non-controlling interest in subsidiary" as equity, separate from parent's equity, on the Consolidated Balance Sheets. In addition, the Company's Consolidated Statements of Operations includes "net income (loss) attributable to non-controlling interest."

**Stock-Based Compensation.** Stock-based compensation expense is measured at the grant date based on the fair value of the award, and the cost is recognized as expense ratably over the award's vesting period. Forfeitures are recognized as they occur.

The Company believes that the estimates related to stock-based compensation expense are critical accounting estimates because the assumptions used could significantly impact the timing and amount of stock-based compensation expense recorded in the Company's Consolidated Financial Statements.

**Income Taxes.** The Company's annual effective income tax rate is based on the mix of income and losses in its U.S. and non-U.S. entities which are part of the Company's Consolidated Financial Statements, statutory tax rates, and tax-planning opportunities available to the Company in the various jurisdictions in which it operates. Significant judgment is required in evaluating the Company's tax positions.

Tax law requires certain items to be included in the tax return at different times from when these items are reflected in the Company's Consolidated Statements of Operations. As a result, the effective tax rate reflected in the Consolidated Financial Statements is different from the tax rate reported on the Company's consolidated tax return. Some of these differences are permanent, such as expenses that are not deductible in the tax return, and some differences reverse over time, such as depreciation expense. These timing differences create deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and the tax basis of assets and liabilities and are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment dates.

The Company assesses uncertain tax positions in accordance with ASC 740, Income Taxes. Judgment is used to identify, recognize, and measure the amounts to be recorded in the financial statements related to tax positions taken or expected to be taken in a tax return. A liability is recognized to represent the potential future obligation to the taxing authority for the benefit taken in the tax return. These liabilities are adjusted, including any impact of the related interest and penalties, in light of changing facts and circumstances such as the progress of a tax audit. A number of years may elapse before a particular matter for which a reserve has been established is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction.

The Company assesses whether a valuation allowance should be established against its deferred income tax assets based on consideration of available evidence, both positive and negative, using a more likely than not standard. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecast of future profitability, the duration of statutory carry back and carry forward periods, the Company's experience with tax attributes expiring unused, and tax planning alternatives.

Assessing the future tax consequences of events that have been recognized in the Company's Consolidated Financial Statements or tax returns requires judgment. Variations in the actual outcome of these future tax consequences could materially impact the Company's financial position, results of operations or cash flows.

**Foreign Exchange.** The balance sheets of certain foreign subsidiaries of the Company and certain foreign-denominated investment products are translated at the current exchange rate as of the end of the accounting period and the related income or loss is translated at the average exchange rate in effect during the period. Net exchange gains and losses resulting from balance sheet translations of foreign subsidiaries are excluded from income and are recorded in "accumulated other comprehensive income (loss)" on the Consolidated Balance Sheets. Net exchange gains and losses resulting from income or loss translations are included in income and are recorded in "investment income (loss)" on the Consolidated Statements of Operations. Investment transactions denominated in foreign currencies are converted to U.S. dollars using the exchange rate on the date of the transaction and any related gain or loss is included in "investment income (loss)" on the Consolidated Statements of Operations.

**Recent Accounting Pronouncements.** See information regarding accounting pronouncements that have been issued but not yet adopted by the Company in Note 2, Significant Accounting Policies, to the Consolidated Financial Statements of this Annual Report on Form 10-K.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

### **Market Risk Disclosures**

The following information, together with information included in other parts of this Management's Discussion and Analysis of Financial Condition and Results of Operations, describes the key aspects of certain financial instruments that have market risk to the Company.

The effects of the global COVID-19 pandemic are still evolving. There has been an adverse effect on global and domestic financial markets, which may continue for an undetermined period. This may adversely affect assets under management and thus the Company's revenues and operating results. Market declines also affect the valuation of the Company's corporate investments, which also adversely affects the Company's balance sheet and results of operations.

#### ***Investment Management and Administrative Services Fees***

Revenues are generally based upon a percentage of assets under management in accordance with contractual agreements. Accordingly, fluctuations in the financial markets have a direct effect on the Company's operating results. A significant portion of assets under management in equity funds have exposure to international markets and/or natural resource sectors, which may experience volatility. In addition, fluctuations in interest rates may affect the value of assets under management in fixed income funds.

**Performance Fees**

USGIF advisory fees are comprised of two components: a base management fee and a performance fee. The performance fee is a fulcrum fee that is adjusted upwards or downwards by 0.25 percent when there is a performance difference of 5 percent or more between a fund's performance and that of its designated benchmark index over the prior rolling 12 months.

As a result, the Company's revenues are subject to volatility beyond market-based fluctuations discussed in the investment management and administrative fees section above. For the years ended June 30, 2020 and 2019, the Company realized a decrease in its USGIF base advisory fee of \$525,000 and \$544,000, respectively, due to these performance adjustments.

**Corporate Investments**

The Company's Consolidated Balance Sheets include assets whose fair value is subject to market risk. Due to the Company's investments in securities recorded at fair value, price fluctuations represent a market risk factor affecting the Company's consolidated financial position. The carrying values of investments subject to price risks are based on quoted market prices or, if not actively traded, management's estimate of fair value as of the balance sheet date. Market prices fluctuate, and the amount realized in the subsequent sale of an investment may differ significantly from the reported fair value.

The Company's investment activities are reviewed and monitored by Company compliance personnel, and various reports are provided to certain investment advisory clients. Written procedures are in place to manage compliance with the code of ethics and other policies affecting the Company's investment practices.

The table below summarizes the Company's price risks in securities recorded at fair value as of June 30, 2020, and shows the effects of a hypothetical 25 percent increase and a 25 percent decrease in market prices.

<i>(dollars in thousands)</i>	<b>Fair Value at June 30, 2020</b>	<b>Hypothetical Percentage Change</b>	<b>Estimated Fair Value After Hypothetical Price Change</b>
Securities at fair value <sup>1</sup>	\$ 11,464	25% increase	\$ 14,330
		25% decrease	\$ 8,598

1. *Changes in unrealized and realized gains and losses on securities at fair value are included in earnings in the Consolidated Statements of Operations.*

The selected hypothetical changes do not reflect what could be considered best- or worst-case scenarios. Results could be significantly different due to both the nature of markets and the concentration of the Company's investment portfolio.

A significant portion of the securities recorded at fair value in the above table is an investment in HIVE Blockchain Technologies Ltd. ("HIVE"), which was valued at \$2.4 million at June 30, 2020. HIVE is discussed in more detail in Note 4, Investments, to the Consolidated Financial Statements of this Annual Report on Form 10-K. HIVE is a company that is headquartered and traded in Canada with cryptocurrency mining facilities in Iceland, Sweden and Canada. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. There is potential for significant volatility in the market price of HIVE, which could materially impact the investment's value included on the balance sheet and unrealized gain (loss) recognized in investment income.

The Company also has an equity method investment in Galileo Technology and Blockchain LP in the amount of \$158,000 at June 30, 2020, which has investments in the technology and cryptocurrency mining industries. As noted above, exposure to cryptocurrency industry may result in volatility in the valuation of this fund. Under the equity method, the Company's proportional share of the fund's net income or loss, which primarily consists of realized and unrealized gains and losses on investments offset by fund expenses, is recognized in the Company's earnings. The potential significant volatility in the valuation of the fund's investments could cause the fund's net income or loss to vary significantly from period to period, which in turn would be reflected in the Company's earnings.

**Foreign currency risk**

Certain corporate investments are held in foreign currencies. Adverse changes in foreign currency exchange rates would also lower the value of those corporate investments. Certain assets under management also have exposure to foreign currency fluctuations in various markets, which could impact their valuation and thus the revenue received by the Company.

## Item 8. Financial Statements and Supplementary Data

### Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors  
U.S. Global Investors, Inc.  
San Antonio, Texas

#### Opinion on the Consolidated Financial Statements

We have audited the accompanying Consolidated Balance Sheets of U.S. Global Investors, Inc. (the “Company”) and subsidiaries as of June 30, 2020 and 2019, the related Consolidated Statements of Operations, Comprehensive Income (Loss), Shareholders’ Equity, and Cash Flows for each of the two years in the period ended June 30, 2020, and the related notes (collectively referred to as the “Consolidated Financial Statements”). In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company and subsidiaries at June 30, 2020 and 2019, and the results of their operations and their cash flows for each of the two years in the period ended June 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

These Consolidated Financial Statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s Consolidated Financial Statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the Consolidated Financial Statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2004.

Dallas, Texas  
September 10, 2020

**U.S. GLOBAL INVESTORS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

Assets	June 30, 2020	June 30, 2019
<i>(dollars in thousands)</i>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,936	\$ 1,466
Restricted cash	1,025	1,025
Investments in securities at fair value	6,322	8,021
Accounts and other receivables	974	309
Note receivable	-	199
Prepaid expenses	285	293
Total assets held related to discontinued operations	-	1,780
<b>Total Current Assets</b>	<b>10,542</b>	<b>13,093</b>
<b>Net Property and Equipment</b>	<b>1,506</b>	<b>1,708</b>
<b>Other Assets</b>		
Investments in securities at fair value, non-current	5,142	7,166
Other investments	1,283	1,404
Equity method investments	158	309
Right of use assets	93	-
Other assets, non-current	92	64
<b>Total Other Assets</b>	<b>6,768</b>	<b>8,943</b>
<b>Total Assets</b>	<b>\$ 18,816</b>	<b>\$ 23,744</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 29	\$ 31
Accrued compensation and related costs	360	311
Dividends payable	113	113
Lease liability, short-term	50	-
Other accrued expenses	1,015	496
Note payable, current	442	-
Total liabilities held related to discontinued operations	-	481
<b>Total Current Liabilities</b>	<b>2,009</b>	<b>1,432</b>
<b>Long-Term Liabilities</b>		
Deferred tax liability	-	133
Lease liability, long-term	43	-
<b>Total Long-Term Liabilities</b>	<b>43</b>	<b>133</b>
<b>Total Liabilities</b>	<b>2,052</b>	<b>1,565</b>
<b>Commitments and Contingencies (Note 19)</b>		
<b>Shareholders' Equity</b>		
Common stock (class A) - \$0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,866,913 shares and 13,866,751 shares at June 30, 2020, and June 30, 2019, respectively	347	347
Common stock (class B) - \$0.025 par value; nonvoting; authorized, 4,500,000 shares; no shares issued	-	-
Convertible common stock (class C) - \$0.025 par value; voting; authorized, 3,500,000 shares; issued, 2,068,635 shares and 2,068,797 shares at June 30, 2020, and June 30, 2019, respectively	52	52
Additional paid-in-capital	15,623	15,646
Treasury stock, class A shares at cost; 855,432 shares and 804,959 shares at June 30, 2020, and June 30, 2019, respectively	(1,879)	(1,888)
Accumulated other comprehensive income (loss), net of tax	(4)	(206)
Retained earnings	2,625	7,761
<b>Total U.S. Global Investors Inc. Shareholders' Equity</b>	<b>16,764</b>	<b>21,712</b>
Non-Controlling Interest in Subsidiary	-	467
<b>Total Shareholders' Equity</b>	<b>16,764</b>	<b>22,179</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 18,816</b>	<b>\$ 23,744</b>

The accompanying notes are an integral part of these consolidated financial statements.

U.S. GLOBAL INVESTORS, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(dollars in thousands, except per share data)</i>	Year Ended June 30,	
	2020	2019
<b>Operating Revenues</b>		
Advisory fees	\$ 4,311	\$ 3,274
Administrative services fees	165	185
	<u>4,476</u>	<u>3,459</u>
<b>Operating Expenses</b>		
Employee compensation and benefits	2,840	2,884
General and administrative	3,663	2,920
Advertising	174	198
Depreciation and amortization	202	214
	<u>6,879</u>	<u>6,216</u>
<b>Operating Loss</b>	<u>(2,403)</u>	<u>(2,757)</u>
<b>Other Income (Loss)</b>		
Investment loss	(2,211)	(1,582)
Income (loss) from equity method investments	(142)	23
Other income	117	47
	<u>(2,236)</u>	<u>(1,512)</u>
<b>Loss from Continuing Operations Before Income Taxes</b>	<u>(4,639)</u>	<u>(4,269)</u>
<b>Provision for Income Taxes</b>		
Tax benefit	(175)	(977)
<b>Loss from Continuing Operations</b>	<u>(4,464)</u>	<u>(3,292)</u>
<b>Discontinued Operations</b>		
Loss from discontinued operations of investment management services in Canada before income taxes	(338)	(147)
Tax benefit	-	-
<b>Loss from Discontinued Operations</b>	<u>(338)</u>	<u>(147)</u>
<b>Net Loss</b>	<u>(4,802)</u>	<u>(3,439)</u>
Less: Net Loss Attributable to Non-Controlling Interest from Discontinued Operations	(118)	(51)
<b>Net Loss Attributable to U.S. Global Investors, Inc.</b>	<u>\$ (4,684)</u>	<u>\$ (3,388)</u>
<b>Earnings Per Share Attributable to U.S. Global Investors, Inc.</b>		
<b>Basic Net Loss per Share</b>		
Loss from continuing operations	\$ (0.30)	\$ (0.22)
Loss from discontinued operations	\$ (0.01)	\$ -
Net loss	<u>\$ (0.31)</u>	<u>\$ (0.22)</u>
<b>Diluted Net Loss per Share</b>		
Loss from continuing operations	\$ (0.30)	\$ (0.22)
Loss from discontinued operations	\$ (0.01)	\$ -
Net loss	<u>\$ (0.31)</u>	<u>\$ (0.22)</u>
<b>Basic weighted average number of common shares outstanding</b>	15,108,394	15,138,351
<b>Diluted weighted average number of common shares outstanding</b>	15,108,394	15,138,351

The accompanying notes are an integral part of these consolidated financial statements.

**U.S. GLOBAL INVESTORS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

<i>(dollars in thousands)</i>	<b>Year Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Net Loss Attributable to U.S. Global Investors, Inc.</b>	\$ (4,684)	\$ (3,388)
<b>Other Comprehensive Income (Loss), Net of Tax:</b>		
Foreign currency translation adjustment	88	3
Reclassification of foreign currency losses to net loss	228	22
Comprehensive Loss	(4,368)	(3,363)
Less: Comprehensive Income Attributable to Non-Controlling Interest	114	-
<b>Comprehensive Loss Attributable to U.S. Global Investors, Inc.</b>	<u>\$ (4,482)</u>	<u>\$ (3,363)</u>

The accompanying notes are an integral part of these consolidated financial statements.



U.S. GLOBAL INVESTORS, INC.  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>(dollars in thousands)</i>	Common Stock (class A)	Common Stock (class C)	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non- Controlling Interest	Total
<b>Balance at June 30, 2018</b> <b>(13,866,691 shares of class A; 2,068,857 shares of class C)</b>	\$ 347	\$ 52	\$ 15,650	\$ (1,878)	\$ 1,858	\$ 9,513	\$ 518	\$ 26,060
Reclassification pursuant to adoption of ASU 2016-01, net of tax of \$1,049	-	-	-	-	(2,089)	2,089	-	-
<b>Balance at July 1, 2018</b>	347	52	15,650	(1,878)	(231)	11,602	518	26,060
Purchases of 20,575 shares of Common Stock (class A)	-	-	-	(24)	-	-	-	(24)
Issuance of stock under ESPP of 2,461 shares of Common Stock (class A)	-	-	(2)	6	-	-	-	4
Conversion of 60 shares of class C common stock for class A common stock	-	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	(453)	-	(453)
Stock bonuses	-	-	(4)	8	-	-	-	4
Stock-based compensation expense	-	-	2	-	-	-	-	2
Other comprehensive income, net of tax	-	-	-	-	25	-	-	25
Net loss	-	-	-	-	-	(3,388)	(51)	(3,439)
<b>Balance at June 30, 2019</b> <b>(13,866,751 shares of class A; 2,068,797 shares of class C)</b>	347	52	15,646	(1,888)	(206)	7,761	467	22,179
Purchases of 105,721 shares of Common Stock (class A)	-	-	-	(113)	-	-	-	(113)
Issuance of stock under ESPP of 1,648 shares of Common Stock (class A)	-	-	(1)	4	-	-	-	3
Conversion of 162 shares of class C common stock for class A common stock	-	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	(452)	-	(452)
Stock bonuses	-	-	(16)	118	-	-	-	102
Stock-based compensation expense	-	-	(6)	-	-	-	-	(6)
Deconsolidation of non-controlling interest	-	-	-	-	-	-	(463)	(463)
Other comprehensive income, net of tax	-	-	-	-	202	-	114	316
Net loss	-	-	-	-	-	(4,684)	(118)	(4,802)
<b>Balance at June 30, 2020</b> <b>(13,866,913 shares of class A; 2,068,635 shares of class C)</b>	\$ 347	\$ 52	\$ 15,623	\$ (1,879)	\$ (4)	\$ 2,625	\$ -	\$ 16,764

The accompanying notes are an integral part of these consolidated financial statements.

**U.S. GLOBAL INVESTORS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(dollars in thousands)</i>	<b>Year Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (4,802)	\$ (3,439)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	202	214
Net recognized loss on securities	-	91
Investment basis adjustment	(49)	(19)
Gain on disposal of Galileo	(151)	-
Net (income) loss from equity method investment	142	(23)
Net loss from discontinued operations, net of tax	338	147
Foreign currency transaction loss	228	22
Provision for deferred taxes	(139)	(966)
Stock bonuses	102	4
Stock-based compensation expense	-	2
Changes in operating assets and liabilities:		
Accounts receivable and notes receivable	(665)	805
Prepaid expenses and other assets	(113)	(28)
Investment securities	4,008	2,571
Accounts payable and accrued expenses	659	(456)
Total adjustments	4,562	2,364
Net cash used in operating activities	(240)	(1,075)
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments in securities at fair value, non-current	-	(1,588)
Purchase of equity method investment	-	(230)
Purchase of other investments	(125)	(250)
Proceeds from sale of Galileo	746	-
Proceeds on sale of equity method investment	-	230
Proceeds from note receivable	199	35
Return of capital on investments	10	77
Net cash provided by (used in) investing activities	830	(1,726)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from loan	442	-
Issuance of common stock	3	4
Repurchases of common stock	(113)	(24)
Dividends paid	(452)	(454)
Net cash used in financing activities	(120)	(474)
Net increase (decrease) in cash, cash equivalents, and restricted cash	470	(3,275)
Beginning cash, cash equivalents, and restricted cash	2,491	5,766
Ending cash, cash equivalents, and restricted cash	\$ 2,961	\$ 2,491
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for income taxes	\$ 3	\$ 124

The accompanying notes are an integral part of these consolidated financial statements.

## Notes to Consolidated Financial Statements

### NOTE 1. ORGANIZATION

U.S. Global Investors, Inc. (the “Company” or “U.S. Global”) serves as investment adviser to U.S. Global Investors Funds (“USGIF” or the “Fund(s)”), a Delaware statutory trust that is a no-load, open-end investment company offering shares in numerous mutual funds to the investing public. The Company also provides administrative services to USGIF. For these services, the Company receives fees from USGIF. The Company also provides advisory services to SEC registered exchange traded funds (“ETFs”) and formerly provided advisory services to offshore clients. Until March 2020, the Company held a controlling interest in Galileo Global Equity Advisors Inc. (“Galileo”), a privately held Toronto-based asset management firm.

The Company has the following subsidiaries utilized primarily for corporate investment purposes: U.S. Global Investors (Bermuda) Limited (“USBERM”), incorporated in Bermuda, and U.S. Global Investors (Canada) Limited (“USCAN”). The Company created U.S. Global Indices, LLC, a Texas limited liability company, of which the Company is the sole member, to provide indexing services to exchange-traded funds managed by the Company.

U.S. Global formed U.S. Global Brokerage, Inc. (“USGB”) to provide distribution services to USGIF. USGB ceased operations in December 2015. On July 27, 2018, USGB was dissolved.

Effective March 2, 2020, the Company sold its shares in Galileo back to Galileo. Through the date of sale, Galileo was consolidated with the operations of the Company. The non-controlling interest in this subsidiary was included in “Non-Controlling Interest in Subsidiary” in the equity section of the Consolidated Balance Sheets. Frank Holmes, CEO, and Lisa Callicotte, CFO, served as directors of Galileo through March 2, 2020, and Lisa Callicotte served as CFO of Galileo from June 2019 through March 2, 2020. See Note 3 below for further information. Results of operations of Galileo through the date of sale are presented in the consolidated financial statements as discontinued operations.

To limit the spread of the novel coronavirus (“COVID-19”), governments have taken various actions including the issuance of stay-at-home orders and social distancing guidelines, causing some businesses to suspend operations, disrupting the global supply chain, and creating a reduction in demand for many products. This has negatively affected global financial markets and has caused significant financial market depreciation, thus reducing certain of the Company’s assets under management (“AUM”), the revenue related to those assets, and returns on corporate investments.

Should the negative effect on global financial markets continue for an extended period, there could be an adverse material financial impact on the Company’s results of operations, cash flows and financial position. At this time, the Company cannot reasonably estimate the future impact, given the uncertainty over the duration and severity of the economic crisis.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation.** The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: USGB, USBERM, USCAN and U.S. Global Indices, LLC.

Until March 2, 2020, the Company, through USCAN, owned 65 percent of the issued and outstanding shares of Galileo, which represents controlling interest of Galileo. Galileo was consolidated with USCAN and the non-controlling interest in this subsidiary is included in “non-controlling interest in subsidiary” in the equity section of the Consolidated Balance Sheets.

There are two primary consolidation models in U.S. GAAP, the variable interest entity (“VIE”) and voting interest entity models. The Company’s evaluation for consolidation includes whether entities in which it has an interest or from which it receives fees are VIEs and whether the Company is the primary beneficiary of any VIEs identified in its analysis. A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) the group of holders of the equity investment at risk lacks certain characteristics of a controlling financial interest. The primary beneficiary is the entity that has the obligation to absorb a majority of the expected losses or the right to receive the majority of the residual returns and consolidates the VIE on the basis of having a controlling financial interest.

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, certain funds it advises, specifically, certain funds in USGIF. The Company's interests in these VIEs consist of the Company's direct ownership therein and any fees earned but uncollected. In the ordinary course of business, the Company may choose to waive certain fees or assume operating expenses of the funds it advises for competitive, regulatory or contractual reasons (see Note 5 for information regarding fee waivers). The Company has not provided financial support to any of these entities outside the ordinary course of business. The Company's risk of loss with respect to these VIEs is limited to the carrying value of its investments in, and fees receivable from, the entities. The Company does not consolidate these VIEs because it is not the primary beneficiary. The Company's total exposure to unconsolidated VIEs, consisting of the carrying value of investment securities and receivables for fees, was \$7.0 million at June 30, 2020, and \$8.8 million at June 30, 2019.

Since the Company is not the primary beneficiary of the above funds it advises, the Company evaluated if it should consolidate under the voting interest entity model. Under the voting interest model, for legal entities other than partnerships, the usual condition for control is ownership, directly or indirectly, of more than 50 percent of the outstanding voting shares over an entity. The Company does not have control of any of the above funds it advises; therefore, the Company does not consolidate any of these funds.

The Company currently holds a variable interest in a fund organized as a limited partnership advised by Galileo, and during fiscal year 2019 held a variable interest in another fund advised by Galileo, but these entities do not qualify as VIEs. Since they are not VIEs, the Company evaluated if it should consolidate them under the voting interest entity model. Under the voting interest model, for legal entities other than partnerships, the usual condition for control is ownership, directly or indirectly, of more than 50 percent of the outstanding voting shares over an entity. The Company does not have control of the entities and, therefore, does not consolidate them. However, the Company was considered to have the ability to exercise significant influence. Thus, the investments have been accounted for under the equity method of accounting. See further information about these investments in Note 4.

All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts have been reclassified for comparative purposes.

**Cash and Cash Equivalents.** Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

**Restricted Cash.** Restricted cash represents cash invested in a money market account as collateral for credit facilities that is not available for general corporate use.

**Investments.** The Company records security transactions on trade date. Realized gains (losses) from security transactions are calculated on the first-in/first-out cost basis, unless otherwise identifiable, and are recorded in earnings on the date of sale.

**Investments in Equity Securities.** Equity securities are generally carried at fair value on the Consolidated Balance Sheets with changes in the fair value recorded through earnings within investment income (loss).

**Investments in Debt Securities.** The Company classifies debt investments as available-for-sale or held-to-maturity based on the Company's intent to sell the security or, its intent and ability to hold the debt security to maturity. Available-for-sale debt securities are reported at fair value, and changes in unrealized gains and losses are reported net of tax in accumulated other comprehensive income (loss). Upon the disposition of an available-for-sale security, the Company reclassifies the gain or loss on the security from accumulated other comprehensive income (loss) to investment income (loss). Held-to-maturity debt securities are purchased with the intent and ability to hold until maturity and are measured at amortized cost.

**Other Investments.** Other investments consist of equity investments in entities over which the Company is unable to exercise significant influence and which do not have readily determinable fair values. For these securities, the Company generally elects to value using the measurement alternative, under which such securities will be measured at cost, less impairment, plus or minus observable price changes for identical or similar securities of the same issuer with such changes recorded in investment income (loss).

**Equity Method Investments.** Investments classified as equity method consist of investments in companies in which the Company is able to exercise significant influence but not control. Under the equity method of accounting, the investment is initially recorded at cost, then the Company's proportional share of investee's underlying net income or loss is recorded as a component of "other income" with a corresponding increase or decrease to the carrying value of the investment. Distributions received from the investee reduce the Company's carrying value of the investment. These investments are evaluated for impairment if events or circumstances arise that indicate that the carrying amount of such assets may not be recoverable. No impairment was recognized for the Company's equity method investment during the years presented.

**Fair Value of Financial Instruments.** The financial instruments of the Company are reported on the Consolidated Balance Sheets at market or fair values or at carrying amounts that approximate fair values.

**Receivables.** Receivables other than notes receivable consist primarily of advisory and other fees owed to the Company by clients. The Company also may invest in notes receivable. Notes receivable are recorded in accordance with the terms of the agreement, and accrued interest is recorded when earned. Unearned fees are shown as a deduction from the related notes receivable and are amortized to interest income using the effective interest method. The Company reviews the need for an allowance for credit losses for notes and other receivables based on various factors including payment history, historical bad debt experience, existing economic conditions, aging and specific accounts identified as high risk. Uncollectible receivables, if any, are charged against the allowance when all reasonable efforts to collect the amounts due have been exhausted. The Company had no allowance for credit losses as of June 30, 2020, or 2019.

**Property and Equipment.** Fixed assets are recorded at cost. Depreciation for fixed assets is recorded using the straight-line method over the estimated useful life of each asset as follows: furniture and equipment are depreciated over 3 to 10 years, and the building and related improvements are depreciated over 14 to 40 years.

**Leases.** The Company leases equipment under various leasing arrangements. Leases may be classified as either financing leases or operating leases, as appropriate. The Company determines if a contract is a lease or contains a lease at inception. The Company accounts for its office facility leases as operating leases, which may include escalation clauses. The Company accounts for lease and nonlease components as a single component for its leases, except for real estate leases. The Company elected the short-term lease exception for leases with an initial term of 12 months or less. Consequently, such leases are not recorded on the Consolidated Balance Sheets. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain they will be exercised or not, respectively.

Fixed lease payments are included in right of use ("ROU") assets and lease liabilities within other assets and liabilities, respectively, on the Consolidated Balance Sheets. ROU assets and lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date using the Company's incremental borrowing rate as the discount rate. Fixed lease payments made over the lease term are recorded as lease expense on a straight-line basis. Variable lease payments based on usage, changes in an index or market rate are expensed as incurred.

Upon adoption of ASU 2016-02, for existing leases, the Company elected to determine the discount rate based on the remaining lease term as of July 1, 2019. For new leases, the discount rates are based on the entire noncancelable lease term.

The Company is the lessor of certain areas of its owned office building under operating leases. The Company determines if a contract is a lease or contains a lease at inception. The Company elected not to separate lease and related non-lease components and account for the combined component as an operating lease.

**Impairment of Long-Lived Assets.** The Company reviews property and equipment and other long-lived assets for impairment whenever events or changes in business circumstances indicate the net book values of the assets may not be recoverable. Impairment is indicated when the assets' net book value is less than fair value of the asset. If this occurs, an impairment loss is recognized for the difference between the fair value and net book value. Factors that indicate potential impairment include: a significant decrease in the market value of the asset or a significant change in the asset's physical condition or use. No impairments of long-lived assets were recorded during the years included in these financial statements.

**Non-Controlling Interests.** The Company reports "non-controlling interest in subsidiary" as equity, separate from parent's equity, on the Consolidated Balance Sheets. In addition, the Company's Consolidated Statements of Operations includes "net income (loss) attributable to non-controlling interest."

**Treasury Stock.** Treasury stock purchases are accounted for under the cost method. The subsequent issuances of these shares are accounted for based on their weighted-average cost basis.

**Stock-Based Compensation.** Stock-based compensation expense is measured at the grant date based on the fair value of the award, and the cost is recognized as expense ratably over the award's vesting period. Forfeitures are recognized as they occur.

**Income Taxes.** The Company and its non-Canadian subsidiaries file a consolidated federal income tax return. USCAN and Galileo file separate tax returns in Canada. Provisions for income taxes include deferred taxes for temporary differences in the bases of assets and liabilities for financial and tax purposes, resulting from the use of the liability method of accounting for income taxes. The liability method requires that deferred tax assets be reduced by a valuation allowance in cases where it is more likely than not that the deferred tax assets will not be realized.

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*. The Company's policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. As of June 30, 2020, the Company did not have any accrued interest or penalties related to uncertain tax positions. The tax years from 2016 through 2019 remain open to examination by the U.S. Federal tax jurisdictions to which the Company is subject. The tax years from 2013 through 2019 remain open to examination by the non-U.S. Federal tax jurisdictions to which the Company is subject.

The Company has elected to treat the global intangible low-taxed income (GILTI) tax as a period expense. The Company also elected to use the tax law ordering approach when assessing the realization of net operating losses related to GILTI.

**Revenue Recognition.** The Company's operating revenue is earned from investment advisory and administrative services provided to clients. Each distinct service promised in the agreements is considered a performance obligation and is the basis for determining when revenue is recognized. The fees are allocated to each distinct performance obligation and revenue is recognized when, or as, promises are satisfied. The consideration for services is generally variable and included in net revenues when it is improbable that a significant reversal could occur in the future. The timing of when clients are billed and related payment received varies in accordance with agreed-upon contractual terms. For current agreements, billing occurs after the Company has recognized revenue which results in accounts receivable and accrued revenue.

**Investment Advisory Fees.** The investment advisory agreements have a single performance obligation, since the promised services are not separately identifiable from other promises in the agreements and, therefore, are not distinct. Investment advisory fees are comprised of two components, a base fee and a performance fee, if applicable. Base investment advisory fees are recognized as the services are performed over time and are based upon agreed-upon percentages of average assets under management ("AAUM"), depending on contractual terms. These fees are received in cash after the end of each monthly period within 30 days. Investment advisory fees are affected by changes in assets under management, including market appreciation or depreciation, foreign exchange translation, and net inflows or outflows. Investment advisory fees are reported net of fee waivers.

**Performance Fees.** USGI receives investment advisory performance fees from certain funds. Performance fees for the equity funds within USGIF are a fulcrum fee that is a 0.25 percent adjustment upwards or downwards of the base investment advisory fees when there is a 5 percent difference between a fund's performance and that of its benchmark index over the prior rolling 12 months. Performance fees are recorded when it is determined that they are no longer probable of significant reversal. These fees are received in cash or paid in cash after the end of each monthly period within 30 days. Performance fees are affected by changes in fund performance, benchmark index performance, and assets under management.

**Administrative Services Fees.** The administrative services agreement has a single performance obligation, since the promised services are not separately identifiable from other promises in the agreement and, therefore, are not distinct. Administrative services fees are recognized as the services are performed over time and are based upon agreed-upon percentages of AAUM. These fees are received in cash after the end of each monthly period within 30 days. Administrative services fees are affected by changes in assets under management, including market appreciation or depreciation, foreign exchange translation, and net inflows or outflows. Administrative services fees are reported net of fee waivers.

**Fee Waivers.** For certain clients, the Company has agreed to contractually limit the expenses or voluntarily waived or reduced its fees and/or agreed to pay expenses for the remaining USGIF funds. These fee waivers are deemed to be a reduction of the transaction price and are reported as a reduction of investment advisory fees and/or administrative services fees. These fees are paid in cash after the end of each monthly period within 30 days.

**Dividends and Interest.** Dividends are recorded on the ex-dividend date, and interest income is recorded on an accrual basis. Any discount between the cost and the principal amount of debt investments is amortized to interest income using the effective interest method. Both dividends and interest income are included in investment income.

**Advertising Costs.** The Company expenses advertising costs as they are incurred. The Company is reimbursed for certain advertising expenses related to USGIF from the distributor for USGIF.

**Foreign Exchange.** The balance sheets of certain foreign subsidiaries of the Company and certain foreign-denominated investment products are translated at the current exchange rate as of the end of the accounting period and the related income or loss is translated at the average exchange rate in effect during the period. Net exchange gains and losses resulting from balance sheet translations of foreign subsidiaries are excluded from income and are recorded in “accumulated other comprehensive income (loss)” on the Consolidated Balance Sheets. Net exchange gains and losses resulting from income or loss translations are included in income and are recorded in “investment income (loss)” on the Consolidated Statements of Operations. Investment transactions denominated in foreign currencies are converted to U.S. dollars using the exchange rate on the date of the transaction and any related gain or loss is included in “investment income (loss)” on the Consolidated Statements of Operations.

**Use of Estimates.** The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

**Earnings Per Share.** The Company computes and presents earnings per share attributable to U.S. Global Investors, Inc. in accordance with ASC 260, *Earnings Per Share*. Basic earnings per share (“EPS”) excludes dilution and is computed by dividing net income (loss) attributable to U.S. Global Investors, Inc. by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of EPS that could occur if options to issue common stock were exercised. The Company has two classes of common stock with outstanding shares. Both classes share equally in dividend and liquidation preferences.

**Accumulated Other Comprehensive Income (Loss).** Accumulated other comprehensive income (loss), net of tax, is reported in the Consolidated Balance Sheets and the Consolidated Statements of Shareholders’ Equity and includes any unrealized gains and losses on debt securities classified as available-for-sale, foreign currency translation adjustments.

## **Recent Accounting Pronouncements and Developments**

### **Accounting Pronouncements Adopted During the Period**

In February 2016, the FASB issued ASU 2016-02, *Leases*, and has subsequently issued several amendments (collectively, “ASU 2016-02”), which replaces existing lease accounting guidance. ASU 2016-02 introduces a lessee model that brings most leases on the balance sheet by recording a lease asset and a lease liability. The new standard also requires enhanced disclosure surrounding the amount, timing and uncertainty of cash flows arising from leasing agreements. The new guidance was effective for public business entities for annual periods beginning after December 15, 2018, and interim periods therein. The Company elected the transition method at the adoption date of July 1, 2019, whereby it initially applied the new standard at the adoption date, versus at the beginning of the earliest period presented. Upon adoption, the Company elected the package of transition practical expedients which would allow the Company to carry forward prior conclusions related to: (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for existing leases. Additionally, the Company elected the practical expedient to not separate lease components from nonlease components for all except real estate leases. The Company made an accounting policy election to keep leases with an initial term of 12 months or less off the Consolidated Balance Sheets and will recognize related lease payments in the Consolidated Statements of Operations on a straight-line basis over the lease term. The adoption resulted in a gross up in total assets and total liabilities on the Company’s Consolidated Balance Sheets. Upon adoption on July 1, 2019, the Company’s total assets and total liabilities increased by less than \$400,000.

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (“ASU 2018-02”). ASU 2018-02 allowed entities the option to reclassify tax effects resulting from recording the effects of the Tax Cuts and Jobs Act enacted in December 2017 from accumulated other comprehensive income to retained earnings. The guidance was effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company adopted this standard on July 1, 2019, with no impact on its consolidated financial statements.

### **Accounting Pronouncements Not Yet Adopted**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, and has subsequently issued several amendments (collectively, “ASU 2016-13”). ASU 2016-13 adds to U.S. GAAP an impairment model (known as the current expected credit loss model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses. ASU 2016-13 will be effective for smaller reporting companies, including U.S. Global, for fiscal years beginning after December 15, 2022. Earlier application is permitted only for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.



## [Table of Contents](#)

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* (“ASU 2019-04”). ASU 2019-04 clarifies areas of guidance related to the recently issued standards on credit losses (Topic 326), derivatives and hedging (Topic 815), and recognition and measurement of financial instruments (Topic 825). The standard follows the effective dates of the previously issued ASUs, unless an entity has already early adopted the previous ASUs, in which case the effective date will vary according to each specific ASU adoption. The new guidance in ASU 2019-04 on recognizing and measuring financial instruments is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. If an entity has adopted all of the amendments to ASU 2016-01, it is permitted to early adopt the new guidance. The Company does not believe the adoption of this new amendment will have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* (“ASU 2019-12”). ASU 2019-12 enhances and simplifies various aspects of the income tax accounting guidance. The amendments in ASU 2019-12 are effective for public business entities for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

### NOTE 3. DISCONTINUED OPERATIONS

USCAN entered into a binding letter of intent dated December 30, 2019, with Galileo whereby Galileo, pursuant to a capital restructuring, agreed to repurchase all of its common shares owned by USCAN for \$1.0 million (Canadian). The transaction was subject to the approval of Canadian securities regulatory authorities and to the satisfaction of other closing conditions. The transaction closed effective March 2, 2020. Proceeds of approximately \$746,000 were received (the equivalent of \$1.0 million Canadian), and a realized gain of approximately \$151,000 was recorded. In addition, approximately \$228,000 in foreign currency loss was released from accumulated other comprehensive income (loss) into realized foreign currency loss upon closing the sale.

After the transaction, the Company has not and will not have continuing involvement with the operations of Galileo, except for an equity method investment in a fund managed by Galileo. See further information on this equity method investment in Note 4, Investments.

The results of Galileo through the March 2, 2020, closing date are reflected as “discontinued operations” in the Consolidated Statements of Operations and are therefore, excluded from continuing operations results. Comparative periods shown in the Consolidated Financial Statements have been adjusted to conform to this presentation. Operations of Galileo had previously been presented as the separate business segment of Investment Management Services – Canada.

The components of assets and liabilities classified as discontinued operations were as follows:

<i>(dollars in thousands)</i>	June 30,	
	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 1,482
Accounts and other receivables	-	200
Prepaid expenses	-	52
Net property and equipment	-	38
Other assets, non-current	-	8
<b>Total assets held related to discontinued operations</b>	<b>\$ -</b>	<b>\$ 1,780</b>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 135
Accrued compensation and related costs	-	84
Other accrued expenses	-	262
<b>Total liabilities held related to discontinued operations</b>	<b>\$ -</b>	<b>\$ 481</b>

Receivables of Galileo included advisory fees owed to Galileo by the funds and clients it manages. Galileo fixed assets, consisting of furniture, equipment and leasehold improvements, were depreciated over 2 to 5 years. Galileo had leases for office equipment and facilities. See further information on these leases in Note 11, Leases.



[Table of Contents](#)

The components of income (loss) from discontinued operations were as follows. Note that amounts in the current fiscal year are through the March 2, 2020, closing date of sale.

<i>(dollars in thousands)</i>	Year Ended June 30,	
	2020	2019
<b>Revenues</b>		
Advisory fees	\$ 235	\$ 1,458
	235	1,458
<b>Expenses</b>		
Employee compensation and benefits	77	534
General and administrative	508	1,121
Depreciation and amortization	6	10
	591	1,665
<b>Other Income (Loss)</b>		
Investment income	24	18
Other income (loss)	(6)	42
	18	60
<b>Loss from discontinued operations of investment management services in Canada before income taxes</b>	(338)	(147)
Tax benefit	-	-
<b>Loss from discontinued operations of investment management services in Canada</b>	(338)	(147)
Less: net loss attributable to non-controlling interest from discontinued operations	(118)	(51)
<b>Net loss attributable to U.S. Global Investors, Inc. from discontinued operations of investment management services in Canada</b>	<u>\$ (220)</u>	<u>\$ (96)</u>

Galileo provides advisory services for clients in Canada and receives advisory fees based on the agreed-upon percentages of AAUM or assets under management, depending on contractual terms. Galileo investment advisory agreements have a single performance obligation, since the promised services are not separately identifiable from other promises in the agreements and, therefore, are not distinct. Galileo may also receive performance fees from certain clients when market appreciation or realized net gains exceeds established benchmarks on an annual or quarterly basis. Performance fees, which were included in advisory fees in the table above, were recognized when it was determined that they were no longer probable of significant reversal. Galileo recorded no performance fees for the year ended June 30, 2020. Galileo recorded performance fees of \$921,000 for the year ended June 30, 2019. Galileo may, at its discretion, waive and absorb some of its clients' operating expenses. The amount of fund expenses waived and absorbed was \$39,000 and \$343,000 for the years ended June 30, 2020, and 2019, respectively.

Galileo files a separate tax return in Canada. At June 30, 2019, a valuation allowance for Galileo of \$183,000 was included to fully reserve for net operating loss carryovers, other carryovers and certain book/tax differences in the balance sheet.

#### NOTE 4. INVESTMENTS

As of June 30, 2020, the Company held investments with a fair value of \$11.4 million and a cost basis of \$12.9 million. The fair value of these investments is approximately 60.9 percent of the Company's total assets at June 30, 2020. In addition, the Company held other investments of approximately \$1.3 million and investments of \$158,000 accounted for under the equity method of accounting.

The Company's equity investments with readily determinable fair values are classified as securities at fair value, and changes in unrealized gains or losses are reported in current period earnings.

[Table of Contents](#)

Other investments consist of equity investments in entities over which the Company is unable to exercise significant influence and which do not have readily determinable fair values. For these securities, the Company generally elects to value using the measurement alternative, under which such securities are measured at cost, less impairment, plus or minus observable price changes for identical or similar securities of the same issuer with such changes recorded in investment income (loss). The Company considers many factors in determining impairment, including the severity and duration of the decline in value below cost, the Company's interest and ability to hold the security for a period of time sufficient for an anticipated recovery in value, and the financial condition and specific events related to the issuer. The cost basis of investments may also be adjusted for the recharacterization of distributions from investments in partnerships. See further information about these investments in a separate section of this note.

The following details the components of the Company's investments recorded at fair value as of June 30, 2020, and 2019.

<i>(dollars in thousands)</i>	<b>June 30, 2020</b>		
	<b>Cost</b>	<b>Unrealized Gains (Losses)</b>	<b>Fair Value</b>
<b>Securities at fair value</b>			
Common stock - International	\$ 5,641	\$ (1,162)	\$ 4,479
Common stock - Domestic	45	(45)	-
Mutual funds - Fixed income	6,313	9	6,322
Mutual funds - Domestic equity	929	(266)	663
<b>Total securities at fair value</b>	<b>\$ 12,928</b>	<b>\$ (1,464)</b>	<b>\$ 11,464</b>

  

<i>(dollars in thousands)</i>	<b>June 30, 2019</b>		
	<b>Cost</b>	<b>Unrealized Gains (Losses)</b>	<b>Fair Value</b>
<b>Securities at fair value</b>			
Common stock - International	\$ 5,641	\$ 790	\$ 6,431
Common stock - Domestic	45	(45)	-
Mutual funds - Fixed income	8,025	(4)	8,021
Mutual funds - Domestic equity	929	(194)	735
<b>Total securities at fair value</b>	<b>\$ 14,640</b>	<b>\$ 547</b>	<b>\$ 15,187</b>

Included in the above table was \$7.0 million and \$8.8 million as of June 30, 2020, and June 30, 2019, respectively, at fair value invested in USGIF.

**Investment Income (Loss)**

The following summarizes investment income (loss) reflected in earnings for the periods presented.

<i>(dollars in thousands)</i>	<b>Year Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Investment Income (Loss)</b>		
Unrealized losses on fair valued securities	\$ (2,011)	\$ (2,406)
Unrealized gains on equity securities without readily determinable fair values	-	617
Realized gains on sales of fair valued securities	-	23
Realized gain on sale of subsidiary	151	-
Realized foreign currency losses	(232)	(26)
Impairments in equity investments that do not have readily determinable fair values	(285)	(114)
Dividend and interest income	166	324
<b>Total Investment Income (Loss)</b>	<b>\$ (2,211)</b>	<b>\$ (1,582)</b>

Realized gain from sale of subsidiary shown in the table above is from the sale of Galileo. See Note 2 for further information on this transaction. Realized foreign currency gains (losses) for the year ended June 30, 2020, includes \$228,000 in foreign currency losses released from other comprehensive income (loss) upon the sale of Galileo.

The year ended June 30, 2020, included approximately \$2.0 million of net unrealized losses recognized on equity securities still held at June 30, 2020.

Investment income (loss) can be volatile and varies depending on market fluctuations. The Company expects that gains and losses will continue to fluctuate in the future.

### ***Fair Value Hierarchy***

ASC 820, *Fair Value Measurement and Disclosures*, 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. ASC 820 establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (i.e., Levels 1, 2, and 3 inputs, as defined below). The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities at the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, value of these products does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets for which not all significant inputs are observable, directly or indirectly. Corporate debt securities valued in accordance with the evaluated price supplied by an independent service are categorized as Level 2 in the hierarchy. Other securities categorized as Level 2 included securities valued at the mean between the last reported bid and ask quotation and securities valued with an adjustment to the quoted price due to restrictions.

Level 3 – Valuations based on inputs that are unobservable and significant to the fair value measurement.

The Company'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 financial instrument. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with the investing in those securities. Because of the inherent uncertainties of valuation, the values reflected may materially differ from the values received upon actual sale of those investments.

For actively traded securities, the Company values investments using the closing price of the securities on the exchange or market on which the securities principally trade. If the security is not traded on the last business day of the quarter, it is generally valued at the mean between the last bid and ask quotation. The fair value of a security that has a restriction is based on the quoted price for an otherwise identical unrestricted instrument that trades in a public market, adjusted for the estimated effect of the restriction. Mutual funds, which include open- and closed-end funds and exchange-traded funds, are valued at net asset value or closing price, as applicable. Certain corporate debt securities not traded on an exchange may be valued by an independent pricing service using an evaluated quote based on such factors as institutional-size trading in similar groups of securities, yield, quality maturity, coupon rate, type of issuance and individual trading characteristics and other market data. As part of its independent price verification process, a portfolio management team, which includes representatives from the investment and accounting departments, periodically reviews the fair value provided by the pricing service using information such as transactions in these investments, broker quotes, market transactions in comparable investments, general market conditions and the issuer's financial condition. Certain debt securities may be valued based on review of similarly structured issuances in similar jurisdictions, when possible, or based on other traded debt securities issued by the issuer. The portfolio management team also takes into consideration numerous other factors that could affect valuation such as overall market conditions, liquidity of the security and bond structure. For other securities included in the fair value hierarchy with unobservable inputs, the portfolio management team considers a number of factors in determining a security's fair value, including the security's trading volume, market values of similar class issuances, investment personnel's judgment regarding the market experience of the issuer, financial status of the issuer, the issuer's management, and back testing, as appropriate. The fair values may differ from what may have been used had a broader market for these securities existed. The portfolio management team reviews inputs and assumptions and reports material items to the Board of Directors. Securities which do not have readily determinable fair values are also periodically reviewed by the portfolio management team.

[Table of Contents](#)

The following presents fair value measurements, as of each balance sheet date, for the major categories of the Company's investments measured at fair value on a recurring basis:

	June 30, 2020			Total
	Quoted Prices (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>(dollars in thousands)</i>				
<b>Securities at fair value</b>				
Common stock - International	\$ 4,447	\$ 32	\$ -	\$ 4,479
Common stock - Domestic	-	-	-	-
Mutual funds - Fixed income	6,322	-	-	6,322
Mutual funds - Domestic equity	663	-	-	663
<b>Total securities at fair value</b>	<b>\$ 11,432</b>	<b>\$ 32</b>	<b>\$ -</b>	<b>\$ 11,464</b>

	June 30, 2019			Total
	Quoted Prices (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>(dollars in thousands)</i>				
<b>Securities at fair value</b>				
Common stock - International	\$ 5,599	\$ 832	\$ -	\$ 6,431
Common stock - Domestic	-	-	-	-
Mutual funds - Fixed income	8,021	-	-	8,021
Mutual funds - Domestic equity	735	-	-	735
<b>Total securities at fair value</b>	<b>\$ 14,355</b>	<b>\$ 832</b>	<b>\$ -</b>	<b>\$ 15,187</b>

As of June 30, 2020, approximately 100 percent of the Company's financial assets were classified in the fair value hierarchy as Level 1. As of June 30, 2019, 95 percent of the Company's financial assets were classified in the fair value hierarchy as Level 1 and 5 percent as Level 2.

The Company has an investment in 10 million common shares of HIVE Blockchain Technologies Ltd. ("HIVE"), a company that is headquartered and traded in Canada with cryptocurrency mining facilities in Iceland, Sweden, and Canada, at a cost of \$2.4 million. The shares are subject to Canadian securities regulations. The investment was valued at approximately \$2.4 million and \$3.6 million at June 30, 2020, and 2019, respectively, based on the quoted market price and is classified as Level 1 in the fair value hierarchy. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. There has been significant volatility in the market price of HIVE, which has materially impacted the investment's value included on the balance sheet and unrealized gain (loss) recognized in investment income. The Company's ownership of HIVE was approximately 2.9 percent as of June 30, 2020. Frank Holmes is the non-executive chairman of HIVE and held shares and options at June 30, 2020. Effective August 31, 2018, Mr. Holmes was named Interim Executive Chairman of HIVE while a search for a new CEO is undertaken.

The Company has an investment in Thunderbird Entertainment Group Inc. ("Thunderbird"), a company headquartered and traded in Canada, which was valued at approximately \$1.2 million at June 30, 2020 and classified as Level 1 in the fair value hierarchy. This investment was valued at approximately \$1.1 million at June 30, 2019, of which \$377,000 was classified as Level 1 and \$675,000 was classified as Level 2 in the fair value hierarchy. This was previously a private company that underwent a corporate transaction and started trading on an exchange during the quarter ended December 31, 2018. The shares are subject to Canadian securities regulations. The Company's ownership of Thunderbird was approximately 2.5 percent as of June 30, 2020. Frank Holmes serves on the board of this company as a director and held options at June 30, 2020.

## [Table of Contents](#)

The Company has an investment in GoldSpot Discoveries Corp. (“GoldSpot”), a company headquartered and traded in Canada, which was valued at approximately \$806,000 at June 30, 2020, of which \$774,000 was classified as Level 1 and \$32,000 was classified as Level 2 in the fair value hierarchy. This investment was valued at approximately \$1.7 million at June 30, 2019, of which \$1.6 million was classified as Level 1 and \$157,000 was classified as Level 2 in the fair value hierarchy. The investment was purchased during the quarter ended March 31, 2019, and the shares are subject to Canadian securities regulations. The portion of the investment classified in Level 2 is restricted for resale due to escrow and regulatory provisions; its valuation is based on the quoted market price adjusted for the restriction on resale. Shares remaining in escrow at June 30, 2020, will be released in August 2020. The Company’s ownership of GoldSpot was approximately 7.5 percent as of June 30, 2020. Frank Holmes served on the board of this company as director from February 2019 to June 2020 and as independent chairman from February 2019 to May 2020 and held common stock and options at June 30, 2020.

### **Other Investments**

The carrying value of equity securities without readily determinable fair values was approximately \$1.3 million and \$1.4 million as of June 30, 2020, and 2019, respectively. The Company has elected to value these investments using the measurement alternative, under which such securities are measured at cost, less impairment, plus or minus observable price changes for identical or similar securities of the same issuer with such changes recorded in investment income (loss).

The carrying value of equity securities without readily determinable fair values has been adjusted as follows during the fiscal years ended June 30, 2020, and 2019:

<i>(dollars in thousands)</i>	Year Ended June 30,	
	2020	2019
Carrying amount, beginning of period	\$ 1,404	\$ 2,207
Adjustments:		
Purchases	125	250
Reclassification to securities at fair value	-	(1,499)
Impairments	(285)	(114)
Other downward adjustments	(124)	(57)
Upward adjustments	163	617
Carrying amount, end of period	\$ 1,283	\$ 1,404

As discussed above, the Company’s investment in Thunderbird was previously included in other investments but started trading on a stock exchange during the quarter ended December 31, 2018, and thereafter is included in securities at fair value. There were impairment adjustments to one security totaling \$285,000 during the year ended June 30, 2020, and \$114,000 during the year ended June 30, 2019. Cumulative impairment adjustments to all equity securities without readily determinable fair values total \$536,000 since their respective acquisitions through June 30, 2020. The cumulative amount of other downward adjustments, which primarily consist of return of capital distributions, is \$777,000, which includes \$124,000 for the year ended June 30, 2020, and \$57,000 for the year ended June 30, 2019. The cumulative amount of upward adjustments is \$780,000, which includes \$163,000 for the year ended June 30, 2020, and \$617,000 for the year ended June 30, 2019.

### **Investments Classified as Equity Method**

During fiscal year 2018, the Company, through USCAN, invested approximately \$401,000 in the Galileo Technology and Blockchain Fund, a Canadian unit trust investment fund managed by Galileo. The fund reorganized in a taxable transaction into a limited partnership effective November 30, 2018, and the fund terminated. See further discussion below. Thus, the Company no longer had an investment in the Galileo Technology and Blockchain Fund after November 2019. During the period of ownership, the Company’s ownership ranged between approximately 20 and 25 percent, and the Company was considered to have the ability to exercise significant influence. Thus, the investment was accounted for under the equity method of accounting. Included in other income (loss) was \$50,000 of equity method loss for the Galileo Technology and Blockchain Fund for the year ended June 30, 2019. In addition, approximately \$22,000 in foreign currency loss was released from accumulated other comprehensive income (loss) into realized foreign currency loss upon the termination of the fund. Frank Holmes also directly held an investment in the fund. This fund had a concentration in technology and blockchain companies, which resulted in volatility in the fund’s valuation.

[Table of Contents](#)

As noted above, the Galileo Technology and Blockchain Fund reorganized into a limited partnership effective November 30, 2018. The investment portfolio and unitholders' interests of the Galileo Technology and Blockchain Fund and the Galileo Partners Fund transferred to the new entity, named Galileo Technology and Blockchain LP. The valuation of the Company's investment in the Galileo Technology and Blockchain Fund as of November 30, 2018, of approximately \$230,000 transferred to the Galileo Technology and Blockchain LP. During the period of ownership, the Company's ownership has ranged between approximately 16 and 22 percent. The Company owns approximately 22 percent of the LP as of June 30, 2020, and the Company is considered to have the ability to exercise significant influence. Thus, the investment is accounted for under the equity method of accounting. Included in other income (loss) for the years ended June 30, 2020, and 2019, is (\$142,000) and \$73,000, respectively, of equity method income (loss) for this investment. The Company's investment in the LP was valued at approximately \$158,000 at June 30, 2020, and \$309,000 at June 30, 2019. Frank Holmes also directly held an investment in the LP as of June 30, 2020. This investment has a concentration in technology and blockchain companies, which may result in volatility in its valuation.

**NOTE 5. INVESTMENT MANAGEMENT AND OTHER FEES**

The following table presents operating revenues disaggregated by performance obligation:

	Year Ended June 30,	
	2020	2019
USGIF advisory fees	\$ 3,093	\$ 3,230
USGIF performance fees paid	(525)	(544)
ETF advisory fees	1,743	588
Total advisory fees	4,311	3,274
USGIF administrative services fees	165	185
Total Operating Revenue	\$ 4,476	\$ 3,459

The Company serves as investment adviser to USGIF and receives a fee based on a specified percentage of net assets under management. The advisory agreement for the equity funds within USGIF provides for a base advisory fee that is adjusted upwards or downwards by 0.25 percent if there is a performance difference of 5 percent or more between a fund's performance and that of its designated benchmark index over the prior rolling 12 months.

The Company has agreed to contractually limit the expenses of the Near-Term Tax Free Fund through April 2021. The Company has voluntarily waived or reduced its fees and/or agreed to pay expenses on the remaining USGIF funds. These caps will continue on a voluntary basis at the Company's discretion. The aggregate fees waived and expenses borne by the Company for USGIF were \$584,000 and \$732,000 for the years ended June 30, 2020, and 2019, respectively. USGIF revenue included on the Consolidated Statements of Operations is net of fee waivers. Management cannot predict the impact of future waivers due to the number of variables and the range of potential outcomes.

The Company receives administrative service fees from USGIF based on the average daily net assets at an annual rate of 0.05 percent per investor class and 0.04 percent per institutional class of each fund. The institutional classes closed in July 2019.

The Company also serves as investment advisor to two exchange-traded funds (ETFs): U.S. Global Jets ETF (ticker JETS) and U.S. Global GO GOLD and Precious Metal Miners ETF (ticker GOAU). The Company receives a unitary management fee of 0.60 percent of average net assets and has agreed to bear all expenses of the ETFs.

As of June 30, 2020, the Company had \$869,000 in receivables from fund clients, of which \$187,000 was from USGIF and \$682,000 from ETFs. As of June 30, 2019, the Company had \$201,000 in receivables from fund clients, of which \$159,000 was from USGIF and \$42,000 from ETFs.

**NOTE 6. RESTRICTED CASH**

Restricted cash represents cash invested in a money market account as collateral for credit facilities that is not available for general corporate use. A reconciliation of cash, cash equivalents, and restricted cash reported from the Consolidated Balance Sheets to the Statements of Cash Flows is shown below:

<i>(dollars in thousands)</i>	June 30,	
	2020	2019
Cash and cash equivalents	\$ 1,936	\$ 1,466
Restricted cash	1,025	1,025
Total cash, cash equivalents, and restricted cash	<u>\$ 2,961</u>	<u>\$ 2,491</u>

**NOTE 7. NOTES RECEIVABLE**

The Company held a note receivable with principal of approximately \$199,000 (all current) at June 30, 2019. The note was with an unrelated third party, had an annual interest rate of 15 percent and was scheduled to mature in 2021. Quarterly principal repayments on the note started in February 2019. The issuer elected an early redemption option and paid the note in full in July 2019. Proceeds were received for the principal and all accrued interest, and no gain or loss was realized. There were no notes receivable as of June 30, 2020.

**NOTE 8. PROPERTY AND EQUIPMENT**

Property and equipment are composed of the following:

<i>(dollars in thousands)</i>	June 30,	
	2020	2019
Building and land	\$ 4,597	\$ 4,597
Furniture, equipment, and other	847	1,051
	5,444	5,648
Accumulated depreciation	(3,938)	(3,940)
Net property and equipment	<u>\$ 1,506</u>	<u>\$ 1,708</u>

Depreciation expense totaled \$202,000 and \$214,000 in fiscal years 2020 and 2019, respectively.

**NOTE 9. OTHER ACCRUED EXPENSES**

Other accrued expenses consist of the following:

<i>(dollars in thousands)</i>	June 30,	
	2020	2019
Professional fees	\$ 314	\$ 266
Vendors payable	113	103
ETF operating and distribution expenses	542	80
Taxes payable	46	47
Other accrued expenses	<u>\$ 1,015</u>	<u>\$ 496</u>

**NOTE 10. BORROWINGS**

The Company has access to a \$1 million credit facility for working capital purposes. The credit agreement requires the Company to maintain certain covenants; the Company has been in compliance with these covenants during the fiscal year. The credit agreement will expire on May 31, 2021, and the Company intends to renew annually. The credit facility is collateralized by approximately \$1 million at June 30, 2020, included in restricted cash on the balance sheet, held in deposit in a money market account at the financial institution that provided the credit facility. As of June 30, 2020, the credit facility remains unutilized by the Company.

[Table of Contents](#)

Effective April 12, 2020, the Company was approved for a loan of approximately \$442,000 under the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on future adherence to the forgiveness criteria as described below.

The Company has under 25 employees and is considered a small business. The interest rate on the loan is one percent fixed, and the maturity date is April 12, 2022. Payment terms are to make seventeen consecutive monthly payments of principal and interest in an amount sufficient to fully amortize the loan over the remaining term, commencing six months after the effective date, and a final payment on the earliest of the acceleration of the promissory note; or the maturity date. The PPP Loan contains events of default and other provisions customary for a loan of this type.

A key feature of the PPP is that loan proceeds used by borrowers to pay certain expenses during a specified period following origination of the loan may qualify to be forgiven. The Company is not yet able to determine the amount that might be forgiven due to evolving guidance.

As of June 30, 2020, the balance of the loan was \$442,000, all of which was classified as a current liability. Interest expense was approximately \$1,000 for the year ended June 30, 2020. As of June 30, 2020, the Company was in compliance with all covenants with respect to the PPP loan.

**NOTE 11. LEASES**

The Company has lease agreements on a continuing operations basis for office equipment that expire in fiscal years 2021 and 2022. Lease expense included in continuing operations totaled \$153,000 and \$167,000 for the years ended June 30, 2020, and 2019, respectively.

The Company’s former subsidiary Galileo, which is classified as discontinued operations as described in Note 3, had lease agreements for office equipment and for office facilities. Lease expense included in discontinued operations totaled \$74,000 and \$109,000 for the years ended June 30, 2020, and 2019, respectively.

For continuing operations, the components of lease expense included in general and administrative expense on the Consolidated Statements of Operations for the year ended June 30, 2020, and qualitative information concerning the Company’s operating leases were as follows:

	<b>Year Ended June 30, 2020</b>
<i>(dollars in thousands)</i>	
Operating lease cost	\$ 53
Short-term lease cost	100
Total lease cost	<u>\$ 153</u>
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 53
Right-of-use assets obtained in exchanged for:	
Net operating lease liabilities	\$ 141
Weighted-average remaining lease term (in years)	1.83
Weighted-average discount rate	4.11%



[Table of Contents](#)

Maturities of lease liabilities from continuing operations as of June 30, 2020, are as follows:

<i>(dollars in thousands)</i>	
<b>Fiscal Year</b>	<b>Operating Leases</b>
2021	\$ 53
2022	44
Total lease payments	97
Less imputed interest	(4)
Total	<u>\$ 93</u>

The Company is the lessor of certain areas of its owned office building under operating leases expiring in various years through fiscal year 2023. At the commencement of an operation lease, no income is recognized; subsequently, lease payments received are recognized on a straight-line basis. Lease income included in other income on the Consolidated Statements of Operations was \$92,000 and \$36,000, for fiscal years 2020 and 2019, respectively. The cost of obtaining lessor contracts, which is included in other assets on the Consolidated Balance Sheets, was \$7,000 and \$0 at June 30, 2020, and June 30, 2019, respectively.

A summary analysis of annual undiscounted cash flows to be received on leases as of June 30, 2020, is as follows:

<i>(dollars in thousands)</i>	
<b>Fiscal Year</b>	<b>Operating Leases</b>
2021	\$ 97
2022	81
2023	34
Total lease payments	<u>\$ 212</u>

The Company may terminate the building leases with one hundred eighty days written notice if it sells the property. If the Company terminates the lease, the Company will pay the tenant a termination fee of the lesser of six months of the base monthly rent or the base monthly rent times the number of months remaining in the initial term.

#### **NOTE 12. BENEFIT PLANS**

The Company offers a savings and investment plan qualified under Section 401(k) of the Internal Revenue Code covering substantially all employees. In connection with this 401(k) plan, participants can voluntarily contribute a portion of their compensation, up to certain limitations, to this plan, and the Company will match 100 percent of participants' contributions up to the first 3 percent of compensation and 50 percent of the next 2 percent of compensation. The Company recorded expenses for contributions to the 401(k) plan of \$77,000 and \$81,000 for fiscal years 2020 and 2019, respectively.

The 401(k) plan allows for a discretionary profit sharing contribution by the Company, as authorized by the Board of Directors. No profit sharing contributions were made in fiscal years 2020 or 2019.

The Company offers employees, including its executive officers, an opportunity to participate in savings programs using mutual funds managed by the Company. Employees may contribute to an IRA, and the Company matches these contributions on a limited basis. A similar savings plan utilizing Uniform Gifts to Minors Act ("UGMA") accounts is offered to employees to save for their minor relatives. The Company match, reflected in base salary expense, aggregated in all programs to \$16,000 and \$17,000 in fiscal years 2020 and 2019, respectively.

The Company has an Employee Stock Purchase Plan whereby eligible employees can purchase treasury shares at market price. During fiscal years 2020 and 2019, employees purchased 1,648 and 2,461, respectively, shares of treasury stock from the Company.

### **NOTE 13. SHAREHOLDERS' EQUITY**

The Company has three classes of common equity: class A, class B, and class C common stock. The Company's class A common stock is traded over-the-counter and is quoted daily under NASDAQ's Capital Markets under the symbol "GROW." There is no established public trading market for the Company's class B and class C common stock. There are no shares of class B stock issued as of June 30, 2020, or 2019.

The Company's class A and class B common stock have no voting privileges.

#### ***Dividends***

Dividends of \$0.0025 per share per month totaling \$390,000 and \$392,000 were paid to holders of class A common stock in fiscal years 2020 and 2019, respectively. Dividends of \$62,000 and \$62,000 were paid to holders of class C common stock in fiscal years 2020 and 2019, respectively.

The monthly dividend of \$0.0025 is authorized through September 2020 and will be considered for continuation at that time by the Board. Payment of cash dividends is within the discretion of the Company's Board of Directors and is dependent on earnings, operations, capital requirements, general financial condition of the Company and general business conditions. On a per share basis, the holders of the class C common stock and the nonvoting class A common stock participate equally in dividends as declared by the Company's Board of Directors.

#### ***Share Repurchase Plan***

The Company has a share repurchase program, approved by the Board of Directors, authorizing the Company to annually purchase up to \$2.75 million of its outstanding common shares, as market and business conditions warrant, on the open market in compliance with Rule 10b-18 of the Securities Exchange Act of 1934 through December 31, 2020. The repurchase program has been in place since December 2012, and the Board of Directors has annually renewed the repurchase program each calendar year. The acquired shares may be used for corporate purposes, including shares issued to employees in the Company's stock-based compensation programs. As of June 30, 2020, approximately \$2.64 million remains available for repurchase under this authorization.

During fiscal years 2020 and 2019, the Company repurchased 105,721 and 20,575, respectively, of its class A shares on the open market using cash of \$113,000 and \$24,000, respectively. To date, the Company has repurchased a total of 666,531 class A shares under the repurchase program using cash of \$1.5 million.

#### ***Other Activity***

The Company did not grant any shares of class A common stock to employees during fiscal year 2020 or 2019.

The Company granted 3,600 and 3,600 of class A common stock at a weighted average fair value of \$1.61 and \$1.34 per share to its non-employee directors in fiscal years 2020 and 2019, respectively.

The Company granted 50,000 shares of class A common stock at a weighted average fair value of \$1.95 per share to a key advisor in fiscal year 2020. No shares were granted to outside parties in fiscal year 2019.

All stock grants vest immediately after issuance.

Issuances of treasury stock for grants, bonuses, and the share repurchase plan are accounted for using the weighted-average cost basis of the shares issued. During fiscal years 2020 and 2019, shares were issued, as described above, with a weighted-average cost basis greater than current fair value, which resulted in a combined negative adjustment to additional paid-in capital of approximately \$17,000 and \$6,000, respectively.

Shareholders of class C shares are allowed to convert to class A. During fiscal years 2020 and 2019, 162 and 60 shares, respectively, were converted from class C to class A. Conversions are one class A share for one class C share and are recorded at par value. There are no restrictions or requirements to convert.

**Stock Option Plans**

In November 1989, the Board of Directors adopted the 1989 Non-Qualified Stock Option Plan (“1989 Plan”), amended in December 1991, which provides for the granting of options to purchase 1,600,000 shares of the Company’s class A common stock to directors, officers and employees of the Company and its subsidiaries. Options issued under the 1989 Plan vest six months from the grant date or 20 percent on the first, second, third, fourth, and fifth anniversaries of the grant date. Options issued under the 1989 Plan expire ten years after issuance. No options were granted in fiscal years 2020 or 2019. As of June 30, 2020, there were no options outstanding under the 1989 Plan.

In April 1997, the Board of Directors adopted the 1997 Non-Qualified Stock Option Plan (“1997 Plan”), which provides for the granting of stock appreciation rights (SARs) and/or options to purchase 400,000 shares of the Company’s class A common stock to directors, officers, and employees of the Company and its subsidiaries. Options issued under the 1997 Plan expire ten years after issuance. There were 2,000 options that were forfeited and no options granted or exercised during the year ended June 30, 2020. There were no options granted, exercised, or forfeited for the year ended June 30, 2019. As of June 30, 2020, there were 2,000 options outstanding under the 1997 Plan.

The estimated fair value of options granted is amortized to expense over the options’ vesting period. The fair value of these options is estimated at the date of the grant using a Black-Scholes option pricing model.

Stock option transactions under the 1997 Plan for the past two fiscal years are summarized below:

<i>(dollars in thousands, except price data)</i>	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (net of tax)
<b>Outstanding June 30, 2018</b>	4,000	\$ 7.53		
Granted	-	n/a		
Exercised	-	n/a		
Forfeited	-	n/a		
<b>Outstanding June 30, 2019</b>	4,000	\$ 7.53		
Granted	-	n/a		
Exercised	-	n/a		
Forfeited	(2,000)	\$ 12.31		
<b>Outstanding June 30, 2020</b>	<u>2,000</u>	\$ 2.74	7.72	\$ -

Class A common stock options outstanding and exercisable under the employee stock option plans at June 30, 2020, were as follows:

	Options Outstanding			Options Exercisable		
	Date of Option Grant	Number Outstanding	Remaining Life in Years	Weighted Average Exercise Price (\$)	Number Exercisable	Weighted Average Option Price (\$)
<b>1997 Plan Class A</b>	03/21/18	2,000	7.72	\$ 2.74	2,000	\$ 2.74
		<u>2,000</u>	<u>7.72</u>	<u>\$ 2.74</u>	<u>2,000</u>	<u>\$ 2.74</u>

**NOTE 14. INCOME TAXES**

The Company and its non-Canadian subsidiaries file a consolidated U.S. federal income tax return. USCAN files a separate tax return in Canada. Provisions for income taxes include deferred taxes for temporary differences in the bases of assets and liabilities for financial and tax purposes resulting from the use of the liability method of accounting for income taxes.

## [Table of Contents](#)

The CARES Act was signed into law on March 27, 2020. While a number of the CARES Act's provisions will be reflected in future accounting periods, certain income tax accounting measures are reflected in the period of enactment. The business tax provisions of the Act include temporary changes to income and non-income-based tax laws. Some of the key income tax provisions that may affect the Company include:

- Eliminating the 80% of taxable income limitations by allowing corporate entities to fully utilize net operating loss (NOL) carryforwards generated during the 2019 and 2020 fiscal years to offset taxable income in the 2019, 2020 or 2021 fiscal years and reinstating the limitation with the 2022 fiscal year;
- Allowing net operating losses generated in fiscal years 2019, 2020 or 2021 (tax years 2018, 2019 and 2020) to be carried back five years;
- Allowing entities to deduct more of their charitable cash contributions made during calendar year 2020 by increasing the taxable income limitation to 25% from 10%.
- Modification of the adjusted taxable income limitation from 30% to 50% for fiscal years 2020 and 2021 (tax years 2019 and 2020) for computing deductible interest.

### *Carryovers*

For U.S. federal income tax purposes at June 30, 2020, the Company has U.S. federal net operating loss carryovers of \$8.8 million with \$2.0 million and \$2.7 million expiring in fiscal years 2035 and 2036, respectively, and \$4.1 million with no expiration. The carryover amount of \$4.1 million, which was generated after fiscal year 2018, may be carried forward indefinitely with no limitation on usage prior to fiscal year 2022, but certain limitations apply to the utilization of net operating losses thereafter. The Company has capital loss carryovers of \$1.1 million with \$728,000 and \$348,000 expiring in fiscal years 2022 and 2023, respectively. The Company has charitable contribution carryovers totaling approximately \$36,000 with \$5,000; \$10,000; \$5,000; and \$16,000 expiring in fiscal years 2021, 2023, 2024, and 2025, respectively.

For Canadian income tax purposes, USCAN has net operating loss carryovers of \$122,000 that expire in fiscal year 2040.

If certain changes in the Company's ownership should occur, there could be an annual limitation on the amount of net operating loss carryovers that could be utilized.

### *Additional Disclosures*

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax amount will not be realized. At June 30, 2020, and 2019, a valuation allowance of \$2.8 million and \$1.9 million, respectively, was included to fully reserve for net operating loss carryovers, other carryovers and certain book/tax differences in the balance sheet.

The Company's components of income (loss) before tax by jurisdiction are as follows:

<i>(dollars in thousands)</i>	Year ended June 30,	
	2020	2019
United States	\$ (3,261)	\$ (1,613)
Canada	(1,716)	(2,803)
Total	<u>\$ (4,977)</u>	<u>\$ (4,416)</u>

[Table of Contents](#)

The reconciliation of income tax computed at U.S. federal statutory rates to income tax expense is as follows:

<i>(dollars in thousands)</i>	Year ended June 30,			
	2020	% of Pretax	2019	% of Pretax
Tax expense (benefit) at statutory rate - continuing operations	\$ (974)	21.0%	\$ (896)	21.0%
Tax benefit from change in foreign unrealized gain/loss	(203)	4.4%	(679)	15.9%
Change in valuation allowance	885	(19.1%)	353	(8.3%)
Rate difference on foreign deferred income	153	(3.3%)	327	(7.7%)
Other	(36)	0.8%	(82)	2.0%
<b>Total tax expense (benefit) - continuing operations</b>	<b>\$ (175)</b>	<b>3.8%</b>	<b>\$ (977)</b>	<b>22.9%</b>

Components of total tax expense (benefit) are as follows:

<i>(dollars in thousands)</i>	Year ended June 30,	
	2020	2019
<b>Continuing Operations</b>		
Current tax expense (benefit) - U.S. Federal	\$ (1)	\$ 4
Current tax expense (benefit) - Non-U.S.	3	(15)
Deferred tax expense - U.S. Federal	-	-
Deferred tax benefit - Non-U.S.	(177)	(966)
<b>Total tax benefit - continuing operations</b>	<b>\$ (175)</b>	<b>\$ (977)</b>
<b>Discontinued Operations</b>		
Current tax expense (benefit) - Non-U.S.	-	-
<b>Total tax benefit</b>	<b>\$ (175)</b>	<b>\$ (977)</b>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Components of the Company's deferred assets and liabilities are as follows:

<i>(dollars in thousands)</i>	June 30,	
	2020	2019
<b>Book/tax differences in the balance sheet</b>		
Investments in securities at fair value	\$ 448	\$ (99)
Prepaid expenses	(50)	(45)
Accumulated depreciation	105	111
Other investments	(65)	(124)
Equity method investments	14	(6)
Accrued expenses	148	72
Product start-up costs	60	60
Other	(19)	(55)
<b>Tax Carryovers</b>		
Net operating loss carryover	1,887	1,573
Charitable contributions carryover	8	8
Capital loss carryover	226	249
<b>Valuation Allowance</b>	<b>(2,762)</b>	<b>(1,877)</b>
<b>Net deferred tax liability</b>	<b>\$ -</b>	<b>\$ (133)</b>

**NOTE 15. EARNINGS PER SHARE**

The following table sets forth the computation for basic and diluted earnings per share (EPS):

<i>(dollars in thousands, except per share data)</i>	<b>Year Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Loss from Continuing Operations	\$ (4,464)	\$ (3,292)
Loss from Discontinued Operations	(338)	(147)
Less: Net Loss Attributable to Non-Controlling Interest from Discontinued Operations	(118)	(51)
Net Loss Attributable from Discontinued Operations to U.S. Global Investors, Inc.	(220)	(96)
Net Loss Attributable to U.S. Global Investors, Inc.	<u>\$ (4,684)</u>	<u>\$ (3,388)</u>
<b>Weighted average number of outstanding shares</b>		
Basic	15,108,394	15,138,351
Effect of dilutive securities :		
Employee stock options	-	-
Diluted	<u>15,108,394</u>	<u>15,138,351</u>
<b>Earnings Per Share Attributable to U.S. Global Investors, Inc.</b>		
<b>Basic Net Loss per Share</b>		
Loss from continuing operations	\$ (0.30)	\$ (0.22)
Loss from discontinued operations	\$ (0.01)	\$ -
Net loss	<u>\$ (0.31)</u>	<u>\$ (0.22)</u>
<b>Diluted Net Loss per Share</b>		
Loss from continuing operations	\$ (0.30)	\$ (0.22)
Loss from discontinued operations	\$ (0.01)	\$ -
Net loss	<u>\$ (0.31)</u>	<u>\$ (0.22)</u>

The diluted EPS calculation excludes the effect of stock options when their exercise prices exceed the average market price for the period. For the years ended June 30, 2020, and 2019, 2,000 and 4,000 employee stock options, respectively, were excluded from diluted EPS.

During fiscal years 2020 and 2019, the Company repurchased class A shares on the open market. Repurchased shares are classified as treasury shares and are deducted from outstanding shares in the earnings per share calculation.

**NOTE 16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following table presents changes in accumulated other comprehensive income (loss) by component:

<i>(dollars in thousands)</i>	<b>Year Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Beginning Balance</b>	\$ (206)	\$ 1,858
Foreign currency translation adjustment, net of tax <sup>1</sup>	(26)	3
Amount reclassified from AOCI, net of tax <sup>1</sup>	228	22
Reclassification as a result of adoption of accounting guidance <sup>2</sup>	-	(2,089)
<b>Ending Balance</b>	<u>\$ (4)</u>	<u>\$ (206)</u>

<sup>1.</sup> Amounts include no tax expense or benefit.

<sup>2.</sup> Effective July 1, 2018, upon adoption of ASU 2016-01, the Company no longer has an available-for-sale category for equity securities for which changes in fair value are recognized in other comprehensive income (loss).

**NOTE 17. FINANCIAL INFORMATION BY BUSINESS SEGMENT**

The Company manages the following business segments on a continuing operations basis:

1. Investment management services, by which the Company offers, to USGIF and ETF clients, a range of investment management products and services to meet the needs of individual and institutional investors; and
2. Corporate investments, through which the Company invests for its own account in an effort to add growth and value to its cash position.

The following schedule details total revenues and income by business segment:

<i>(dollars in thousands)</i>	<b>Investment Management Services</b>	<b>Corporate Investments</b>	<b>Consolidated</b>
<b>Year ended June 30, 2020</b>			
Net operating revenues	\$ 4,476	\$ -	\$ 4,476
Investment loss	\$ -	\$ (2,211)	\$ (2,211)
Loss from equity method investments	\$ -	\$ (142)	\$ (142)
Other income	\$ 117	\$ -	\$ 117
Loss from continuing operations before income taxes	\$ (2,071)	\$ (2,568)	\$ (4,639)
Depreciation and amortization	\$ 202	\$ -	\$ 202
Gross identifiable assets at June 30, 2020	\$ 5,654	\$ 13,162	\$ 18,816
Deferred tax asset			\$ -
Consolidated total assets at June 30, 2020			\$ 18,816
<b>Year ended June 30, 2019</b>			
Net operating revenues	\$ 3,459	\$ -	\$ 3,459
Investment loss	\$ -	\$ (1,582)	\$ (1,582)
Income from equity method investments	\$ -	\$ 23	\$ 23
Other income	\$ 47	\$ -	\$ 47
Loss from continuing operations before income taxes	\$ (2,444)	\$ (1,825)	\$ (4,269)
Depreciation and amortization	\$ 201	\$ 13	\$ 214

Net operating revenues from investment management services include revenues from USGIF of \$2.7 million and \$2.9 million in fiscal years 2020 and 2019, respectively. Net operating revenues from investment management services also include operating revenues from ETF clients of \$1.7 million and \$588,000 in fiscal years 2020 and 2019, respectively.

**NOTE 18. RELATED PARTY TRANSACTIONS**

On June 30, 2020, and 2019, the Company had \$7.0 million and \$8.8 million, respectively, at fair value invested in USGIF funds the Company advised. These amounts were included in the Consolidated Balance Sheets as “investments in securities at fair value.” The Company recorded \$97,000 and \$181,000 in income from dividends and capital gain distributions from USGIF investments in fiscal years 2020 and 2019, respectively. The Company recorded \$23,000 in net realized gains on its investments in the Funds in fiscal year 2019. There were no net realized gains or losses on its investments in the Funds in fiscal year 2020.

In addition, the Company had \$158,000 and \$309,000 at June 30, 2020, and 2019, respectively, invested in a fund advised by Galileo accounted for under the equity method of accounting. The Company recorded income (loss) from equity method investments of (\$142,000) and \$23,000 in fiscal years 2020 and 2019, respectively. See further discussion of these investments in Note 4.

The Company earned advisory and administrative services fees, as applicable, from the various funds for which it acts as investment adviser, as disclosed in Note 5. Receivables include amounts due from the funds for those fees and out-of-pocket expenses, net of amounts payable to the funds for expense reimbursements. As of June 30, 2020, and 2019, the Company had \$869,000 and \$201,000, respectively, of receivables from mutual funds included in the Consolidated Balance Sheets within “receivables.”

As discussed in Note 4, the Company has an investment in HIVE that was valued at approximately \$2.4 million and \$3.6 million as of June 30, 2020, and 2019, respectively. Frank Holmes, a director and Chief Executive Officer of the Company, is the non-executive chairman of HIVE, for which he received director fees from HIVE during fiscal years 2020 and 2019. Mr. Holmes held shares and options of HIVE at June 30, 2020, and 2019. Effective August 31, 2018, upon the retirement of HIVE’s CEO and until a new CEO is hired, Mr. Holmes became Interim Executive Chairman of HIVE.

As discussed in Note 4, the Company holds an investment in Thunderbird that was valued at approximately \$1.2 million and \$1.1 million as of June 30, 2020, and 2019, respectively. Thunderbird was previously a private company that underwent a corporate transaction and started trading on an exchange during fiscal year 2019. Frank Holmes serves on the board of this company as a director, for which he receives fees, and held options at June 30, 2020, and 2019. The Company received \$31,000 in dividend income from its investment in this company in fiscal year 2019. No dividend income from this investment was received in fiscal year 2020.

As discussed in Note 4, the Company purchased in fiscal year 2019 an investment in GoldSpot that was valued at approximately \$806,000 and \$1.7 million as of June 30, 2020, and 2019, respectively. Frank Holmes served on the board of this company as director from February 2019 to June 2020 and as independent chairman from February 2019 to May 2020 and held common stock and options at June 30, 2020.

#### **NOTE 19. CONTINGENCIES AND COMMITMENTS**

The Company continuously reviews all investor, employee, and vendor complaints and pending or threatened litigation. The likelihood that a loss contingency exists is evaluated through consultation with legal counsel, and a loss contingency is recorded if probable and reasonably estimable.

During the normal course of business, the Company may be subject to claims, legal proceedings, and other contingencies. These matters are subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably. The Company establishes accruals for matters for which the outcome is probable and can be reasonably estimated. Management believes that any liability in excess of these accruals upon the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial statements of the Company.

The Board of Directors has authorized a monthly dividend of \$0.0025 per share from July 2020 through September 2020, at which time it will be considered for continuation by the Board of Directors. Payment of cash dividends is within the discretion of the Company's Board of Directors and is dependent on earnings, operations, capital requirements, general financial condition of the Company and general business conditions. The total amount of cash dividends to be paid to class A and class C shareholders from July 2020 to September 2020 will be approximately \$113,000.

The outbreak of the COVID-19 pandemic and the resulting actions to control or slow the spread has had a significant detrimental effect on the global and domestic economies and financial markets. The Company continues to monitor the impact of COVID-19, but at the date of this report it is too early to determine the full impact this virus may have on the financial markets and economy. Should this emerging macro-economic risk continue for an extended period, there could be an adverse material financial impact to our business and investments, including a material reduction in our results of operations.



## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There were no changes in or disagreements with accountants on accounting and financial disclosure during the two most recent fiscal years.

### **Item 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures.** An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2020. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of June 30, 2020, to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is: (1) recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms; and (2) accumulated and communicated to management, including the principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

**Management's Report on Internal Control over Financial Reporting.** The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined by Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of its internal control over financial reporting as of June 30, 2020. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013). Based on the Company's assessment, management believes that, as of June 30, 2020, the Company's management has maintained effective internal control over financial reporting.

**Changes in Internal Control over Financial Reporting.** There have not been any changes in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the fourth quarter ended June 30, 2020, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

**Inherent Limitation of the Effectiveness of Internal Control.** A control system, no matter how well conceived, implemented and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of such inherent limitations, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company or any division of a company have been detected.

### **Item 9B. Other Information**

In light of Frank Holmes' ownership of 99.80 percent of the class C voting shares, the Company is eligible to rely on the exemption from certain of the NASDAQ corporate governance listing requirements relating to the independence of the Board of Directors and certain committees that is afforded to controlled companies. Under NASDAQ rules, a controlled company is a company of which more than 50 percent of the voting power for the election of directors is held by an individual, a group or another company.



## Part III of Annual Report on Form 10-K

### Item 10. Directors, Executive Officers and Corporate Governance

The directors and executive officers of U.S. Global Investors, Inc. (“U.S. Global” or the “Company”) are as follows:

Name	Age	Position
Frank E. Holmes	65	Director of the Company and Chief Executive Officer of the Company since October 1989, and Chief Investment Officer since June 1999. Since October 1989, Mr. Holmes has served and continues to serve in various positions with the Company and its subsidiaries. Mr. Holmes has served on the board of Thunderbird Entertainment Group Inc. (formerly Thunderbird Entertainment, Inc.) from June 2014 to present. He has also served as Chairman of the Board of HIVE Blockchain Technologies Ltd. since August 2017 and has served as Interim Executive Chairman since August 2018. Mr. Holmes served as Chairman of the Board of GoldSpot Discoveries Corp. from February 2019 to May 2020 and as a director from February 2019 to June 2020. Mr. Holmes served as Trustee of U.S. Global Investors Funds from August 1989 to December 2015; Director of Meridian Global Gold & Resources Fund Ltd. from December 2003 to November 2017; and Director of Meridian Global Energy & Resources Fund Ltd. from April 2006 to November 2017.
Jerold H. Rubinstein	82	Chairman of the Board of Directors since February 2006 and Director of the Company since October 1989. Mr. Rubinstein has served as Director and Chairman of Salton Sea Industries from June 2016 to present. Mr. Rubinstein served as Director and Chairman of the Audit Committee of CKE Restaurants from June 2006 to July 2010 and April 2011 to December 2017. He also served as Director and Chairman of the Audit Committee of Greenwood Hall, Inc. from November 2016 to June 2017 and Director and Chairman of the Audit Committee of SpendSmart Payments Co. from October 2013 to April 2016.
Roy D. Terracina	74	Director of the Company since December 1994 and Vice Chairman of the Board of Directors since May 1997. Mr. Terracina is the owner of Sunshine Ventures, Inc., a company formed to hold investments, since January 1994.
Thomas F. Lydon, Jr.	60	Director of the Company since June 1997. Mr. Lydon has served as Chairman of the Board and President of Global Trends Investments since April 1996; co-CEO of ETF Flows LLC since February 2019; Trustee of Guggenheim Investments since February 2012; and Director of Harvest Volatility Edge Trust from December 2017 to December 2018.
Lisa C. Callicotte	47	Chief Financial Officer of the Company since July 12, 2013. Contoller of the Company from July 2009 until July 2013. Since July 2009, Ms. Callicotte has served and continues to serve in various positions with the Company and its subsidiaries.

None of the directors or executive officers of the Company has a family relationship with any of the other directors or executive officers.

The members of the Board of Directors are elected for one-year terms or until their successors are elected and qualified. The Board of Directors appoints the executive officers of the Company.

**Director Independence.** The Company’s Board of Directors is currently composed of four members. The Board of Directors has determined that three of the four members meet the definition of an independent director set forth in NASDAQ Rule 5605(a)(2), with the exception being Frank Holmes, who is the Chief Executive Officer and Chief Investment Officer of the Company. In assessing the independence of directors, the Board of Directors considered the business relationships between the Company and its directors or their affiliated businesses, including businesses owned and operated by family members, other than ordinary investment relationships. Furthermore, the Board of Directors has determined that none of the members of the two standing committees of the Board of Directors in existence during the 2020 fiscal year has any material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and that each such member is “independent” within the meaning of the independence standards applicable to each such committee.

The Board of Directors held four meetings over the past fiscal year. Each incumbent director attended at least 75 percent of the board meetings during the last fiscal year. Directors are encouraged to attend the annual meeting of shareholders. Two of the four directors attended the 2019 annual meeting. The standing committees of the Board of Directors currently consist of the Audit Committee and the Compensation Committee. The membership and responsibilities of those committees are described below:

<u>Independent Directors</u>	<u>Audit Committee</u>	<u>Compensation Committee</u>
Roy D. Terracina	Chairman	Member
Thomas F. Lydon, Jr.	Member	Chairman
Jerold H. Rubinstein	Member	Member

**Audit Committee.** The Company has a separately designated Audit Committee, established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee assists the Board of Directors in monitoring the integrity of the financial statements of the Company; the independent auditor's qualifications and independence; the performance of the Company's internal audit function and independent auditors; complaints relating to the Company's accounting, internal accounting controls and audit matters; and the Company's accounting and financial reporting processes and audits of the Company's financial statements. The Board of Directors has determined that Director Roy Terracina qualifies as an "audit committee financial expert" as defined in Item 401(e) of Regulation S-K under the Exchange Act. Mr. Terracina's pertinent experience, qualifications, attributes, and skills include: a bachelor's degree and a master's degree in finance, financial experience as a treasurer of a publicly traded company, managerial experience attained as the owner of a company responsible as a major supplier of baked and packaged goods primarily through the Department of Defense, the knowledge and experience he has attained from service on other boards and the knowledge and experience he has attained from his service on U.S. Global's Board of Directors. The Audit Committee met four times during the past fiscal year. Each incumbent committee member attended at least 75 percent of the committee meetings during the last fiscal year.

**Report of the Audit Committee.** Management is responsible for U.S. Global's internal controls and financial reporting process. BDO USA, LLP, U.S. Global's independent registered public accounting firm for the fiscal year ended June 30, 2020, is responsible for performing an independent audit of U.S. Global's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board ("PCAOB") and to issue its report thereon. The Audit Committee monitors and oversees these processes. The Audit Committee approves the selection and appointment of U.S. Global's independent registered public accounting firm and recommends the ratification of such selection and appointment to U.S. Global's Board of Directors.

The Audit Committee has reviewed and discussed U.S. Global's audited financial statements with management and BDO USA, LLP. The committee has discussed with BDO USA, LLP the matters required to be discussed by the PCAOB auditing standards which relates to the conduct of our audit, including our auditors' judgment about the quality of the accounting principles applied in our fiscal year 2020 audited consolidated financial statements. The Audit Committee has received the written disclosures and the letter from BDO USA, LLP required by applicable requirements of the PCAOB regarding the independent accountant's communications with the committee concerning independence and has discussed with BDO USA, LLP that firm's independence.

Based on the foregoing review and discussions and such other matters the Audit Committee considered relevant and appropriate, the committee recommended to the Board of Directors that the audited financial statements of U.S. Global be included in its Annual Report on Form 10-K for the year ended June 30, 2020.

**Compensation Committee.** The Compensation Committee assists the Board of Directors in carrying out its responsibilities with respect to employee qualified benefit plans and employee programs, executive compensation programs, stock option plans and director compensation programs. The Compensation Committee has broad responsibility for assuring that the Company's executive officers, including the Company's Chief Executive Officer, are effectively compensated in terms of salaries, supplemental compensation and benefits that are internally equitable and externally competitive. Additional responsibilities include the review and approval of corporate goals and objectives relevant to the Chief Executive Officer. The Compensation Committee reviews all components of compensation, including salaries, cash incentive plans, long-term incentive plans and various employee benefit matters. The Compensation Committee met two times during the past fiscal year. Each incumbent committee member attended at least 75 percent of the committee meetings during the last fiscal year.

**Nomination of Directors.** Although the Company does not have a standing nominating committee, the Company's Corporate Governance Guidelines effectively provide guidance on selection and nomination process whenever a vacancy occurs on the Board of Directors. Due to the longevity of service of the current Board of Directors, those Directors have not participated in consideration of director nominees.

## [Table of Contents](#)

The Company believes generally that its Board of Directors as a whole should encompass a range of talent and expertise enabling it to provide sound guidance with respect to the Company's operations and interests. Whenever a vacancy occurs on the Board of Directors, the board members are responsible for identifying one or more candidates to fill that vacancy, investigating each candidate and evaluating their suitability for service on the board. The following attributes or qualifications will be considered by the Board of Directors in evaluating a person's candidacy:

- Management and leadership experience;
- Skilled and diverse background; and
- Integrity and professionalism.

The board members are authorized to use any methods it deems appropriate for identifying candidates for board membership. In addition, candidates recommended by the Company's stockholders are considered in the same manner as other candidates.

The Company's policy is to have at least a majority of directors qualify as "independent" under the NASDAQ Listing Rules and the Company's Corporate Governance Guidelines, which are available at the Company's website at [www.usfunds.com](http://www.usfunds.com).

**Director Interaction with Stockholders.** The Company's Corporate Governance Guidelines provide the process by which stockholders and other interested parties may contact the non-management members of the Board. These guidelines are contained on the Company's website under "About Us," followed by "Investor Relations."

### **Code of Ethics for Principal Executive and Senior Financial Officers**

The Company has adopted a Code of Ethics for Principal Executive and Senior Financial Officers that applies to the Company's principal executive officer and principal financial officer. This code charges these individuals with responsibilities regarding honest and ethical conduct, the preparation and quality of the disclosures in documents and reports the Company files with the SEC, and compliance with applicable laws, rules, and regulations.

## **Item 11. Executive Compensation**

### **Compensation Discussion and Analysis**

#### **Overview**

The following section provides a discussion and analysis of the basis for the compensation awarded to the CEO and the CFO, ("Named Executive Officers" or "NEOs"), as well as our directors in fiscal year 2020. We provide investment advisory and other services to our clients. Our long-term success depends on our ability to provide superior investment returns and outstanding client service. As such, one of our greatest assets is the collective skill, experience and efforts of our employees. To achieve success, we must be able to attract, retain and motivate professionals within all levels of our Company who are committed to our core values.

We place great significance on our values of performance, teamwork, initiative, responsiveness, focused work ethic, and intellectual curiosity. We believe that adherence to these core values will contribute to the long-term success of the Company and our shareholders.

We compete for talent with a large number of investment management and financial services companies, many of which have significantly larger market capitalization than we do. Our relatively small size within the industry, geographic location, and lean executive management team provide unique challenges.

#### **Setting Executive Compensation**

The Compensation Committee of our Board of Directors is responsible for reviewing and approving corporate goals and objectives relevant to the CEO, Frank Holmes; evaluating the CEO's performance in light of those goals and objectives; and determining and approving the CEO's compensation level based on this evaluation. In addition, the committee is responsible for reviewing and approving compensation recommended by Mr. Holmes for our other executive officers. The Board of Directors appointed Messrs. Lydon, Terracina, and Rubinstein as members of the Compensation Committee. Mr. Lydon serves as the chairman of the Compensation Committee. The Compensation Committee has a charter that is available for review on our website at [www.usfunds.com](http://www.usfunds.com) by clicking "About Us," followed by "Investor Relations," then "Policies and Procedures."

## [Table of Contents](#)

The individuals listed below are the CEO and CFO, who are the only NEOs for fiscal year 2020.

<b>Name</b>	<b>Title</b>
Frank E. Holmes	Chief Executive Officer and Chief Investment Officer
Lisa C. Callicotte	Chief Financial Officer

In establishing total annual compensation for Mr. Holmes, the Compensation Committee considers a number of factors. For assistance in determining the appropriate factors to consider, the Compensation Committee consulted in 2005 with Moss Adams LLP, an executive compensation consulting firm. Importantly, the Compensation Committee considers the various functions Mr. Holmes assumes, including the dual role of CEO and Chief Investment Officer (“CIO”). In addition, the Compensation Committee considers various measures of company performance, including profitability and total shareholder return. The Compensation Committee also reviews Mr. Holmes’ performance in managing our corporate investments, in overseeing the management of our client portfolios and the results of our operational earnings.

In addition to his base salary, Mr. Holmes receives a bonus based on operational earnings, which are substantially derived from assets under management, based on a percentage of operational earnings, and capped at a predetermined dollar amount, as computed for financial reporting purposes in accordance with GAAP (before consideration of this fee).

Mr. Holmes also receives a bonus when our investment team meets their performance goals. The bonus is based on calculated fund performance bonuses of the investment team and is in recognition of Mr. Holmes’ creation and oversight of the investment processes and strategy.

The committee has delegated to Mr. Holmes the responsibility for reviewing the performance of, and recommending the compensation levels for, our other NEOs. The committee does not use rigid formulas with respect to the compensation of NEOs. Mr. Holmes makes a recommendation based on the achievement of qualitative goals that apply to all employees, quantitative goals that apply to an executive officer’s specific job responsibilities and other accomplishments, such as expansion in functional responsibility. In forming his recommendations, Mr. Holmes also considers the responsibilities and workload of the executive officer; the explicit and tacit knowledge required to perform these responsibilities, including any professional designations; the profitability of the company; and the cost of living in San Antonio, Texas.

### **Objectives**

Our executive compensation programs are designed to:

- attract and retain key executives,
- align executive performance with our long-term interests and those of our shareholders, and
- link executive pay with performance.

### **Elements of Executive Compensation**

The committee reviews and approves all components of executive officer compensation. The principal elements of executive compensation, other than Mr. Holmes, are:

- base salary,
- performance-based cash and stock bonuses,
- long-term incentive awards, and
- other compensation and benefits.

### **Base Salary**

Base salaries for NEOs are reviewed annually by the Compensation Committee. Generally, the salaries of NEOs are occasionally adjusted to recognize expansion of an individual’s role, outstanding and sustained performance, or to bring the officer’s pay into alignment with the market. We did not use any benchmarking studies in fiscal year 2020 to obtain market information. In addition, the Compensation Committee did not consider the equity ownership of the Company by Mr. Holmes when setting his compensation. Nor did the committee aim for a specific relationship between Mr. Holmes and the other executive officers. Base salaries paid to NEOs during the fiscal year are shown in the Summary Compensation Table.

## **Performance-Based Cash Bonuses**

Executive officers, except Mr. Holmes, participate in a team performance pay program based on each employee's annual salary to recognize monthly completion of departmental goals. Additionally, key executive officers are compensated based on individual performance pay arrangements. Discretionary cash bonuses are awarded from time to time for such things as completion of critical projects or outstanding performance.

Mr. Holmes considered a matrix of factors in reviewing the performance of, and compensation for, the CFO, Ms. Lisa Callicotte. Mr. Holmes considered such things as responsibilities, productivity, results of the Company's actual versus targeted goals, hours of work, profitability of the Company, timely and accurate financial regulatory filings, unqualified audit results and the cost of living in San Antonio. Occasionally, Ms. Callicotte receives discretionary bonuses for the completion of projects.

## **Long-Term Incentive Awards**

Long-term incentive awards include stock options and restricted shares. We have utilized option grants to induce qualified individuals to join us, thereby providing the individual with an opportunity to benefit if we have significant growth. Similarly, options have been utilized to reward existing employees, including NEOs, for long and faithful service and to encourage them to stay with us. The Compensation Committee administers the stock option plans. Although the Company has no written policy for allocating between cash and equity, or current and long-term compensation for the CEO and other NEOs, the weighting has generally been in the range of less than 5 percent long-term compensation in the form of options or stock awards, with the remaining compensation in cash.

## **Stock Option Plans**

In November 1989, the Board of Directors adopted the 1989 Non-Qualified Stock Option Plan ("1989 Plan") which provides for the granting of options to purchase shares of our class A common stock to directors, officers, and employees. On December 6, 1991, shareholders approved and amended the 1989 Plan to provide provisions to cause the plan and future grants under the plan to qualify under 1934 Act Rule 16b-3. The 1989 Plan is administered by the Compensation Committee consisting of three outside members of the Board of Directors. The maximum number of shares of class A common stock initially approved for issuance under the 1989 Plan is 1,600,000 shares. During the fiscal year ended June 30, 2020, no stock options were granted under this plan. As of June 30, 2020, under this amended plan, 1,733,400 options had been granted, 883,000 options had been exercised, 850,400 options had expired, no options remained outstanding and 717,000 options are available for grant.

In April 1997, the Board of Directors adopted the 1997 Non-Qualified Stock Option Plan ("1997 Plan"), which shareholders approved on April 25, 1997. It provides for the granting of stock appreciation rights ("SARs") and/or options to purchase shares of our class A common stock to directors, officers and employees. The 1997 Plan expressly requires that all grants under the plan qualify under 1934 Act Rule 16b-3. The 1997 Plan is administered by the Compensation Committee consisting of three outside members of the Board of Directors. The maximum number of shares of class A common stock initially approved for issuance under the 1997 Plan is 400,000 shares. During the fiscal year ended June 30, 2020, no stock options were granted under this plan. As of June 30, 2020, 583,300 options had been granted; 257,000 shares had been exercised; 324,300 options had expired; 2,000 options remained outstanding; and 141,000 options are available for grant.

## **2010 Stock Incentive Plan**

In October 2010, at the Annual Meeting of Shareholders, the class C shareholders voted to adopt the 2010 Stock Incentive Plan. The Plan was amended in May 2020. The 2010 Stock Incentive Plan is intended to promote the interests of the Company by providing eligible persons in the Company's service with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Company to align such persons' interests with those of the Company's shareholders and as an incentive for them to remain in such service. During fiscal year 2020, no stock bonuses were awarded to NEOs.

## **Assessment of Risk**

By design, the Company's compensation program for all employees, including executive officers, does not incentivize excessive risk-taking. The Company's base salary component of compensation does not encourage risk-taking because it is a fixed amount. Generally, incentive awards have the following risk-limiting characteristics:

- Awards are made based on a review of a variety of indicators of performance, thus diversifying the risk associated with any single indicator of performance;
- All participants, including executive officers, in the Employee Stock Purchase Plan are subject to stock ownership and holding guidelines.

## **Other Compensation and Benefits**

### **Health, Welfare and Retirement Benefits**

Health, welfare, and retirement benefits are designed to provide a safety net of protection for employees in the event of illness, disability, or death, and to provide employees an opportunity to accumulate retirement savings.

We offer a range of health and welfare benefits to substantially all employees, including the NEOs. These benefits include medical, dental, vision, prescription drug, short-term disability, long-term disability, group life and accidental death insurance, and tuition reimbursement.

#### **401(k) Plan**

We offer a 401(k) plan covering substantially all employees, including NEOs. Participants may contribute a portion of their base salary and cash incentive compensation, up to a limit imposed by the Internal Revenue Code, which is \$19,500 in calendar year 2020. An additional “catch-up” pretax contribution of up to \$6,500 is allowed for employees over 50. We automatically match 100 percent of the first 3 percent of participating employees’ contributions and 50 percent of the next 2 percent of participating employees’ contributions. We contribute to participants’ accounts at the same time that the employee’s pay deferral is made. Employees are immediately vested in both their 401(k) salary deferral contribution and the matched contributions. Participants in our 401(k) plan may contribute to Roth and/or traditional 401(k) accounts.

#### **Profit Sharing**

The 401(k) plan allows for us to make a discretionary profit sharing contribution, as authorized by the Board of Directors. Factors that are considered by the Board of Directors include earnings, cash flows, capital requirements and the general financial condition of the Company. No specific performance thresholds or goals are required by the board to authorize a profit sharing contribution. No profit sharing contributions were made in fiscal years 2020 or 2019.

#### **Savings Plans**

We also have a program pursuant to which we offer employees an opportunity to participate in savings programs using mutual funds managed by us. Employee contributions to an Individual Retirement Account are matched to a maximum of \$100 per month for certain management-level employees, including NEOs, and a maximum of \$30 for all other employees. A similar savings plan utilizing Uniform Gifts to Minors Act (“UGMA”) accounts is offered to all employees to save for minor relatives and is matched at a maximum of \$15 per month per child.

#### **Employee Stock Purchase Plan**

We also have a program whereby eligible employees can purchase treasury shares, at market price. During fiscal years 2020 and 2019, employees purchased 1,648 and 2,461 shares of treasury stock from us, respectively. The purchase price used is the closing stock price on the last business day of each month. All participants, including executive officers, in the Employee Stock Purchase Plan are subject to stock ownership and holding guidelines. We do not restrict the ability of our employees or directors to hedge their position in our shares. In addition, neither the board nor NEOs are required to own or purchase a certain number of shares.

The Summary Compensation Table includes the matched contributions to the plans described above for each NEO.

#### **Perquisites and Other Benefits**

We provide certain perquisites that the committee believes are reasonable and consistent with our overall compensation program to a limited number of officers. The perquisites consist of such things as memberships for business entertainment purposes and policies for long-term disability and life insurance. The Summary Compensation Table shows the value of perquisites provided to NEOs in fiscal year 2019 in the “All Other Compensation” column.

#### **Employment Agreements, Termination and Change-in Control Arrangements**

We do not have any employment agreements, termination agreements, or change-in control agreements with any of our executive officers.



**Compliance with Section 162(m)**

As amended by the Tax Cuts and Jobs Act enacted in December 2017, Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for compensation greater than \$1 million paid during any fiscal year to our CEO, CFO and our three other most highly compensated executive officers.

**Compensation of Named Executive Officers**

The following table sets forth for the fiscal year ended June 30, 2020, the compensation reportable for the NEOs, as determined by SEC rules. Columns were omitted if they were not applicable.

Summary Compensation Table						
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Non-Equity Incentive Plan Compensation (\$) <sup>1</sup>	All Other Compensation (\$)	Total (\$)
<i>(dollars in thousands)</i>						
<b>Frank E. Holmes</b>						
Chief Executive Officer	2019	422	4	(45)	91	472
Chief Investment Officer	2020	422	4	34	91 <sup>2</sup>	551
<b>Lisa C. Callicotte</b>						
Chief Financial Officer	2019	141	42	-	14	197
	2020	141	35	-	113	187

1. Amounts consist of cash incentive compensation awards earned for services. The amounts were paid pursuant to the senior executive bonus programs. Negative bonus for 2019 is due to bonus waived in that year which was earned in prior year.
2. Represents amounts paid by us on behalf of Mr. Holmes as follows: (i) \$59 in insurance, (ii) \$14 in matched contributions, (iii) \$9 in memberships, and (iv) \$9 in miscellaneous items.
3. Represents amounts paid by us on behalf of Ms. Callicotte as follows: (i) \$9 in matched contributions, and (ii) \$2 in miscellaneous items.

No stock awards were granted to the named executive officers in fiscal year 2020.

Outstanding equity awards as of June 30, 2020, for the named executive officers are detailed in the table below. Columns were omitted if they were not applicable.

Outstanding Equity Awards at Fiscal Year-End				
Name	Option Awards			
	Number of Securities Underlying Unexercised Options - Exercisable	Number of Securities Underlying Unexercised Options - Unexercisable	Option Exercise Price (\$)	Option Expiration Date
<i>(dollars in thousands)</i>				
Frank E. Holmes	-	-	n/a	n/a
Lisa C. Callicotte	2,000	-	\$ 2.74	03/21/28

The Pension Benefits, Nonqualified Deferred Compensation, and Option Exercises and Stock Vested Tables were omitted because they were not applicable.



## Compensation of Directors

The compensation of directors is subject to a minimum of \$6,000 in any quarter. We may grant non-employee directors options under our 1989 and 1997 Stock Option Plans. Directors are reimbursed for reasonable travel expenses incurred in attending the meetings held by the Board of Directors. Mr. Rubinstein serves as the Chairman of the Board. The Company grants each director 100 shares of stock per month. Director compensation for the fiscal year ended June 30, 2020, is detailed in the table below. Columns that were not applicable were omitted.

Director Compensation			
Name	Fees Earned or		Total
	Paid in Cash 1	Stock Awards 2	
<i>(dollars in thousands)</i>			
Jerold H. Rubinstein	\$ 98	\$ 2	\$ 100
Roy D. Terracina	\$ 43	\$ 2	\$ 45
Thomas F. Lydon, Jr.	\$ 34	\$ 2	\$ 36

1. The difference in fees earned was primarily due to Mr. Rubinstein receiving an additional amount per month for added responsibilities as chairman.
2. Amounts shown represent expense recognized in the consolidated financial statements for stock awards granted to non-employee directors in fiscal year 2020.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

### Security Ownership of Certain Beneficial Owners

#### Class C Common Stock (Voting Stock)

On August 28, 2020, there were 2,068,635 shares of the Company's class C common stock outstanding. The following table sets forth, as of such date, information regarding the beneficial ownership of the Company's class C common stock by each person known by the Company to own 5 percent or more of the outstanding shares of class C common stock.

Name and Address of Beneficial Owner	Class C	
	Common Shares Beneficially Owned	Percent of Class (%)
Frank Holmes 7900 Callaghan Road San Antonio, TX 78229	2,064,560	99.80%

#### Class A Common Stock (Nonvoting Stock)

On August 28, 2020, there were 13,011,860 shares of the Company's class A common stock issued and outstanding. The following table sets forth, as of such date, information regarding the beneficial ownership of the Company's class A common stock by each person known by the Company to own 5 percent or more of the outstanding shares of class A common stock.

Beneficial Owner	Class C Common Stock		Class A Common Stock	
	Number of Shares	%	Number of Shares	%
Frank E. Holmes, CEO, Director	2,064,560	99.80%	501,455	3.85%
Lisa C. Callicotte, CFO	-	-	19,001	0.15%
Jerold H. Rubinstein, Director	-	-	1,800	0.01%
Roy D. Terracina, Director	-	-	62,800	0.48%
Thomas F. Lydon, Jr., Director	-	-	16,500	0.13%
All directors and executive officers as a group (five persons)	2,064,560	99.80%	601,556	4.62%

**Security Ownership of Management**

The following table sets forth, as of August 28, 2020, information regarding the beneficial ownership of the Company’s class A and class C common stock by each director and named executive officer and by all directors and executive officers as a group. Except as otherwise indicated in the notes below, each person owns directly the number of shares indicated in the table and has sole voting power and investment power with respect to all such shares.

Name and Address of Beneficial Owner	Class A Common Shares Beneficially Owned	Percent of Class (%)
Perritt Capital Management, Inc. – Chicago, IL <sup>1</sup>	728,957	5.60%

1. Information is from Schedule 13F as of June 30, 2020, filed with the SEC on August 13, 2020.

**Equity Compensation Plan Information**

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
<b>Equity compensation plans approved by security holders</b>	N/A	N/A	N/A
<b>Equity compensation plans not approved by security holders</b>			
1989 Stock Option Plan <sup>1</sup>	-----	-----	717,000
1997 Non-Qualified Stock Option Plan <sup>2</sup>	2,000	\$ 2.74	141,000
Employee Stock Purchase Plan <sup>3</sup>	N/A	N/A	115,299
2010 Stock Incentive Plan <sup>4</sup>	N/A	N/A	7,400
<b>Total</b>	<u>2,000</u>		<u>980,699</u>

1. Stock options under this plan may be granted to directors, officers, and employees of the Company from authorized but unissued shares or treasury shares.
2. Stock options under this plan may be granted to directors, executives, and key salaried employees of the Company from authorized but unissued shares or treasury shares. The term of the option periods must be less than ten years.
3. The Company has adopted a stock purchase plan to provide eligible employees of the Company an opportunity to purchase common stock of the Company. There are authorized shares of treasury stock reserved for issuance under the plan for which a registration statement has not been filed.
4. The Company has adopted a stock incentive plan to provide eligible persons in the Company’s service an opportunity to acquire common stock of the Company. There are authorized shares of treasury stock reserved for issuance under the plan for which a registration statement has not been filed.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

See Note 18, Related Party Transactions, to the Consolidated Financial Statements of this Annual Report on Form 10-K, which incorporates the information of the relationships and related transaction for this Item 13. Refer to Item 10 for information regarding director independence.

### Item 14. Principal Accounting Fees and Services

The following table represents fees for professional audit services for the audit of the Company's annual financial statements for the fiscal years ended June 30, 2020, and 2019, respectively, rendered by BDO USA, LLP.

<i>(dollars in thousands)</i>	Fiscal year ended June 30,	
	2020	2019
Audit fees <sup>1</sup>	\$ 220	\$ 220
Audit-related fees <sup>2</sup>	-	-
Tax fees <sup>3</sup>	78	92
Total fees	<u>\$ 298</u>	<u>\$ 312</u>

- Audit fees consist of fees for professional services rendered by the principal accountant for the audit of the Company's annual financial statements and review of the financial statements included in the Company's Form 10-Q and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.*
- Audit-related fees consist primarily of fees for assurance and related services by the accountant that are reasonably related to the performance of the audit or review of the Company's financial statements.*
- Tax fees include the preparation of federal tax returns as well as tax planning and consultation on new tax legislation, regulations, rulings, and developments.*

#### Audit Committee Pre-Approval Policies

The Audit Committee has established pre-approval policies pursuant to which all audit and auditor-provided non-audit engagement fees and terms must be approved. Pre-approval is generally provided and is detailed as to the particular service or category of services. The Audit Committee is also responsible for considering, to the extent applicable, whether the independent auditors' provision of other non-audit services to the Company is compatible with maintaining the independence of the independent auditors.

All services provided by BDO USA, LLP in the fiscal years ended June 30, 2020, and 2019 were pre-approved by the Audit Committee.



## *Part IV of Annual Report on Form 10-K*

### **Item 15. Exhibits, Financial Statement Schedules**

(a) The following documents are filed as part of this report:

#### **1. Financial Statements**

See Item 8 of Part II of this report.

#### **2. Financial Statement Schedules**

None.

#### **3. Exhibits**

- 3.1 [Fourth Restated and Amended Articles of Incorporation of Company, incorporated by reference to the Company's Form 10-Q for the quarter ended March 31, 2007 \(EDGAR Accession Number 000095134-07-010817\)](#)
- 3.2 [Amended and Restated By-Laws of Company, incorporated by reference to Exhibit 3.02 of the Company's Form 8-K filed on November 8, 2006, \(EDGAR Accession Number 0000754811-06-000076\)](#)
- 4.1 [Description of Capital Stock, incorporated by reference to the Company's Form 10-K for the year ended June 30, 2019 \(Edgar Accession No. 0001185185-19-001226\)](#)
- 10.1 [Advisory Agreement with U.S. Global Investors Funds, dated October 1, 2008, incorporated by reference to Post-Effective Amendment 100 filed October 1, 2008 \(EDGAR Accession No. 0000950134-08-017422\)](#)
- 10.2 [Distribution Agreement dated December 10, 2015, by and between U.S. Global Investors Funds and Foreside Fund Services, LLC, incorporated by reference to the Company's Form 10-Q for the quarter ended December 31, 2015, filed February 12, 2016 \(EDGAR Accession No. 0001185185-16-003686\)](#)
- 10.3 [Novation to the Distribution Agreement dated December 10, 2015, by and between U.S. Global Investors Funds and Foreside Fund Services, LLC, incorporated by reference to U.S. Global Investors Funds, Post-Effective Amendment No. 127, filed April 28, 2017 \(EDGAR Accession No. 0001398344-17-005412\)](#)
- 10.4 [Distribution Services Agreement dated December 10, 2015, by and between U.S. Global Investors, Inc. and Foreside Fund Services, LLC, incorporated by reference to the Company's Form 10-Q for the quarter ended December 31, 2015, filed February 12, 2016 \(EDGAR Accession No. 0001185185-16-003686\)](#)
- 10.5 [Amended and Restated Administrative Services Agreement dated December 9, 2015, by and between U.S. Global Investors Funds and U.S. Global Investors, Inc., incorporated by reference to the Company's Form 10-Q for the quarter ended December 31, 2015, filed February 12, 2016 \(EDGAR Accession No. 0001185185-16-003686\)](#)
- 10.6 [Distribution Plan Pursuant to Rule 12b-1 adopted December 9, 2015 by the Board of Trustees of U.S. Global Investors Funds, incorporated by reference to the Company's Form 10-Q for the quarter ended December 31, 2015, filed February 12, 2016 \(EDGAR Accession No. 0001185185-16-003686\)](#)
- 10.7 [United Services Advisors, Inc. 1989 Non-Qualified Stock Option Plan, incorporated by reference to Exhibit 4\(a\) of the Company's Registration Statement No. 33-3012, Post-Effective Amendment No. 2, filed on Form S-8 with the Commission on April 23, 1997 \(EDGAR Accession No. 0000754811-97-000004\)](#)
- 10.8 [U.S. Global Investors, Inc. 1997 Non-Qualified Stock Option Plan, incorporated by reference to Exhibit 4 of the Company's Registration Statement No. 333-25699 filed on Form S-8 with the Commission on April 23, 1997 \(EDGAR Accession No. 0000754811-97-000003\)](#)
- 10.9 [2010 Stock Incentive Plan, amended May 26, 2020, incorporated by reference to the Company's Form 8-K filed on May 28, 2020 \(EDGAR Accession No. 0001185185-20-000741\)](#)

Table of Contents

10.10	<a href="#"><u>(A) Advisory Agreement with ETF Series Solutions dated February 19, 2015, incorporated by reference to Post-Effective Amendment 53 filed April 22, 2015 (EDGAR Accession No. 0000894189-15-001923)</u></a>
	<a href="#"><u>(B) Amended Schedule A to Advisory Agreement with ETF Series Solutions, incorporated by reference to Post-Effective Amendment 210 filed June 8, 2017 (EDGAR Accession No. 0000894189-17-003025)</u></a>
10.11	<a href="#"><u>Promissory Note, effective as of April 12, 2020, between U.S. Global Investors, Inc., as borrower, and Texas Capital Bank, N.A., as lender, included herein.</u></a>
14.01	<a href="#"><u>Code of Ethics for Principal Executive and Senior Financial Officers, adopted December 15, 2003, and amended February 17, 2016, incorporated by reference to the Company’s Form 10-Q for the quarter ended March 31, 2016, filed on May 12, 2016 (EDGAR Accession No. 0001185185-16-004512)</u></a>
14.02	<a href="#"><u>Code of Ethics, incorporated by reference to the Company’s Form 10-Q for the quarter ended December 31, 2019 (EDGAR Accession No. 0001185185-20-000164)</u></a>
21	<a href="#"><u>List of Subsidiaries of the Company, included herein.</u></a>
23.1	<a href="#"><u>BDO USA, LLP consent of independent registered public accounting firm for Form 10-K for U.S. Global Investors, Inc., included herein.</u></a>
31.1	<a href="#"><u>Rule 13a-14(a) Certifications (under Section 302 of the Sarbanes-Oxley Act of 2002), included herein.</u></a>
32.1	<a href="#"><u>Section 1350 Certifications (under Section 906 of the Sarbanes-Oxley Act of 2002), included herein.</u></a>
101.INS	INS XBRL Instance Document.
101.SCH	SCH XBRL Taxonomy Extension Schema Document.
101.CAL	CAL XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	DEF XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	LAB XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	PRE XBRL Taxonomy Extension Presentation Linkbase Document.

## Signatures

Pursuant to the requirements of Section 13 of 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

U.S. GLOBAL INVESTORS, INC.

By: /s/ Frank E. Holmes  
FRANK E. HOLMES  
Chief Executive Officer

Date: September 10, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	CAPACITY IN WHICH SIGNED	DATE
<u>/s/ Frank E. Holmes</u> FRANK E. HOLMES	Chief Executive Officer Chief Investment Officer Director	September 10, 2020
<u>/s/ Thomas F. Lydon, Jr.</u> THOMAS F. LYDON, JR.	Director	September 10, 2020
<u>/s/ Jerold H. Rubinstein</u> JEROLD H. RUBINSTEIN	Chairman, Board of Directors	September 10, 2020
<u>/s/ Roy D. Terracina</u> ROY D. TERRACINA	Director	September 10, 2020
<u>/s/ Lisa C. Callicotte</u> LISA C. CALLICOTTE	Chief Financial Officer	September 10, 2020

## EXHIBIT 10.11 — Promissory Note

### PROMISSORY NOTE

Loan #	38739571-09
Effective Date	April 12, 2020
Loan Amount	\$441,756
Interest Rate	A fixed rate equal to ONE PERCENT (1.00%) per annum
Maturity Date	April 12, 2022
Borrower	US Global Investors Inc.
Lender	Texas Capital Bank, N.A.

1. PROMISE TO PAY. In return for the Loan, Borrower promises to pay to the order of Lender the amount of FOUR HUNDRED FORTY-ONE THOUSAND, SEVEN HUNDRED FIFTY-SIX AND NO/100 Dollars, plus interest on the unpaid principal balance, and all other amounts required by this Promissory Note.
2. DEFINITIONS. Certain terms are defined within this Promissory Note. Additional defined terms are as follows:
  - “CARES Act” means the Coronavirus Aid, Relief, and Economic Security Act.
  - “Loan” means the loan evidenced by this Promissory Note.
  - “Loan Documents” means the documents related to this loan signed by Borrower.
  - “PPP” means the Paycheck Protection Program under the CARES Act.
  - “SBA” means the Small Business Administration, an Agency of the United States of America.
3. PAYMENT TERMS. Borrower must make all payments at the place Lender designates. The payment terms for this Promissory Note are as follows:
  - A. SEVENTEEN (17) consecutive monthly payments of principal and interest in an amount sufficient to fully amortize the Loan over the remaining term thereof, commencing SIX (6) months after the Effective Date, and continuing on the SAME day of each calendar month thereafter (or if no corresponding date shall exist in any calendar month, on the LAST day of such calendar month); and
  - B. ONE (1) final payment of the outstanding principal balance of this Promissory Note, including all accrued and unpaid interest, on the EARLIEST of (i) the acceleration of the Promissory Note pursuant to the terms hereof; or (ii) the Maturity Date.
4. DEFAULT. Borrower is in default under this Promissory Note if any of the following occur:
  - A. Borrower does not make a payment when due under this Promissory Note;
  - B. Fails to do anything required by this Promissory Note and other Loan Documents;
  - C. Defaults on any other loan with Lender;
  - D. Does not disclose, or anyone acting on their behalf does not disclose, any material fact to Lender or SBA;
  - E. Makes, or anyone acting on their behalf makes, a materially false or misleading representation to Lender or SBA;
  - F. Defaults on any loan or agreement with another creditor, if Lender believes the default may materially affect Borrower’s ability to pay this Promissory Note;
  - G. Fails to pay any taxes when due;
  - H. Becomes the subject of a proceeding under any bankruptcy or insolvency law;
  - I. Has a receiver or liquidator appointed for any part of their business or property;
  - J. Makes an assignment for the benefit of creditors;

- K. Has any adverse change in financial condition or business operation that Lender believes may materially affect Borrower's ability to pay this Promissory Note;
  - L. Reorganizes, merges, consolidates, or otherwise changes ownership or business structure without Lender's prior written consent; or
  - M. Becomes the subject of a civil or criminal action that Lender believes may materially affect Borrower's ability to pay this Promissory Note.
5. LENDER'S RIGHTS IF THERE IS A DEFAULT. Upon the occurrence of a default, and without notice or demand and without giving up any of its rights, Lender may:
- A. Require immediate payment of all amounts owing under this Promissory Note;
  - B. Collect all amounts owing from Borrower; or
  - C. File suit and obtain judgment.
6. LENDER'S GENERAL POWERS. Without notice and without Borrower's consent, Lender may:
- A. Incur expenses to collect amounts due under this Promissory Note, enforce the terms of this Promissory Note or any other Loan Document. Among other things, the expenses may include reasonable attorney's fees and costs. If Lender incurs such expenses, it may demand immediate repayment from Borrower or add the expenses to the principal balance; or
  - B. Release anyone obligated to pay this Promissory Note.
7. WHEN FEDERAL LAW APPLIES. When SBA is the holder, this Promissory Note will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Promissory Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law.
8. SUCCESSORS AND ASSIGNS. Under this Promissory Note, Borrower includes the successors of each, and Lender includes its successors and assigns.
9. GENERAL PROVISIONS.
- A. All individuals and entities signing this Promissory Note are jointly and severally liable.
  - B. Borrower waives all suretyship defenses.
  - C. Borrower must sign all documents necessary at any time to comply with the Loan Documents.
  - D. Lender may exercise any of its rights separately or together, as many times and in any order it chooses. Lender may delay or forgo enforcing any of its rights without giving up any of them.
  - E. Borrower may not use an oral statement of Lender or SBA to contradict or alter the written terms of this Promissory Note.
  - F. If any part of this Promissory Note is unenforceable, all other parts remain in effect.
  - G. To the extent allowed by law, Borrower waives all demands and notices in connection with this Promissory Note, including presentment, demand, protest, and notice of dishonor.

10. STATE-SPECIFIC PROVISIONS:

**EXCEPT AS OTHERWISE PROVIDED HEREIN, THIS NOTE SHALL BE DEEMED A CONTRACT AND INSTRUMENT MADE UNDER THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO ITS CHOICE OF LAW RULES, AND ACCEPTED BY LENDER IN SAID STATE, THE LOCATION OF LENDER'S PRINCIPAL PLACE OF RESIDENCE, AND ANY AND ALL CLAIMS, DEMANDS OR ACTIONS IN ANY WAY RELATING THERETO OR INVOLVING ANY DISPUTE BETWEEN ANY OF THE PARTIES TO THIS NOTE, WHETHER ARISING IN CONTRACT OR TORT, AT LAW, IN EQUITY OR STATUTORILY, SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND/OR GOVERNED BY THE LAWS OF THE STATE OF TEXAS (EXCEPTING ITS CHOICE OF LAW RULES) AND THE LAWS OF THE UNITED STATES OF AMERICA. BORROWER HEREBY IRREVOCABLY SUBMITS ITSELF TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE STATE OF TEXAS AND AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT IN ANY LEGAL PROCEEDING RELATING TO THE LOAN DOCUMENTS, THE RELATIONSHIP CREATED THEREBY OR THE DEBT BY ANY MEANS ALLOWED UNDER TEXAS OR FEDERAL LAW. VENUE FOR ANY LEGAL PROCEEDING SHALL BE DALLAS COUNTY, TEXAS;**



**PROVIDED, HOWEVER, THAT LENDER MAY CHOOSE ANY VENUE IN ANY STATE WHICH IT DEEMS APPROPRIATE IN THE EXERCISE OF ITS SOLE DISCRETION.**

11. PPP PROVISIONS.

- A. Borrower and Lender intend for the Loan to comply with all terms and requirements of the PPP. If this Promissory Note contains any term or provision that conflicts with the terms and requirements of the PPP, this Promissory Note is hereby amended and revised in order to comply with the PPP.
  - B. Borrower understands and agrees that any loan forgiveness sought pursuant to the PPP with respect to the Loan will depend on the Borrower's satisfaction of all terms and requirements of the PPP and on the SBA's payment of funds to Lender to be applied to the Loan on behalf of the Borrower. Borrower understands and agrees that it is fully responsible to repay the Loan and that Lender cannot predict or guarantee whether or not any portion of the Loan will be forgiven under the PPP and makes no representation regarding any such prospective forgiveness.
12. BORROWER'S NAME(S) AND SIGNATURE(S). By signing below, each individual or entity becomes obligated under this Promissory Note as Borrower.

**REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.  
SIGNATURE PAGE FOLLOWS.**

IN WITNESS WHEREOF, this Promissory Note is executed by Borrower as of the Effective Date.

BORROWER:

U.S. Global Investors, Inc.,  
a Texas Corporation

By: /s/ Lisa Callicotte  
Name: Lisa Callicotte  
Title: CFO

Paycheck Protection Program – Promissory Note

Signature Page

## **Exhibit 21 — Subsidiaries of the Company, Jurisdiction of Incorporation, and Percentage of Ownership**

1. U.S. Global Investors (Bermuda) Ltd. - incorporated in Bermuda and wholly owned by the Company
2. U.S. Global Investors (Canada) Ltd. – incorporated in Canada and wholly owned by the Company
3. U.S. Global Indices, LLC – incorporated in Texas and wholly owned by the Company

**Exhibit 23.1 — Consent of BDO USA, LLP**

Consent of Independent Registered Public Accounting Firm

U.S. Global Investors, Inc.  
San Antonio, Texas

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated September 10, 2020, relating to the consolidated financial statements of U.S. Global Investors, Inc., which appears in the Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K.

/s/ BDO USA, LLP  
BDO USA, LLP  
Dallas, Texas  
September 10, 2020

**Exhibit 31.1 — Rule 13a – 14(a) Certifications  
(under Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Frank E. Holmes, the principal executive officer of U.S. Global Investors, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of U.S. Global Investors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 10, 2020

/s/ Frank E. Holmes  
Frank E. Holmes  
Chief Executive Officer

---

**Rule 13a – 14(a) Certifications  
(under Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Lisa C. Callicotte, the principal financial officer of U.S. Global Investors, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of U.S. Global Investors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 10, 2020

/s/ Lisa C. Callicotte  
Lisa C. Callicotte  
Chief Financial Officer

**Exhibit 32.1 — Section 1350 Certifications  
(under Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Annual Report of U.S. Global Investors, Inc. (the Company) on Form 10-K for the year ending June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Frank E. Holmes, Chief Executive Officer of the Company, hereby certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 10, 2020

/s/ Frank E. Holmes  
Frank E. Holmes  
Chief Executive Officer

A signed original of the written statement required by Section 906 has been provided to U.S. Global Investors, Inc. and will be retained by U.S. Global Investors, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

---

**Section 1350 Certifications  
(under Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Annual Report of U.S. Global Investors, Inc. (the Company) on Form 10-K for the year ending June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Lisa C. Callicotte, Chief Financial Officer of the Company, hereby certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 10, 2020

/s/ Lisa C. Callicotte  
Lisa C. Callicotte  
Chief Financial Officer

A signed original of the written statement required by Section 906 has been provided to U.S. Global Investors, Inc. and will be retained by U.S. Global Investors, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.