# USA HOCKEY, INC.
# USA HOCKEY FOUNDATION AND SUBSIDIARIES
# HOCKEY AND RINK PROTECTION, INC.

## Financial Statements

## For the Year Ended August 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
USA Hockey, Inc.
USA Hockey Foundation and subsidiaries
Hockey and Rink Protection, Inc.
Colorado Springs, Colorado

We have audited the accompanying consolidating financial statements of USA Hockey, Inc. (a nonprofit organization), USA Hockey Foundation (a nonprofit organization) and subsidiaries, and Hockey and Rink Protection, Inc., which comprise the consolidating statement of financial position as of August 31, 2019, and the related consolidating statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidating financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidating financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidating financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We did not audit the financial statements of Hockey and Rink Protection, Inc., a wholly owned subsidiary, which statements reflect total assets of $6,809,095 as of August 31, 2019, and total support and revenues of $701,929 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Hockey and Rink Protection, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidating financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidating financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, based on our audit and the report of other auditors, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of USA Hockey, Inc., USA Hockey Foundation and subsidiaries, and Hockey and Rink Protection, Inc. as of August 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited USA Hockey, Inc.'s August 31, 2018, consolidating financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited consolidating financial statements from which it has been derived.

**Emphasis of Matter**

As described in Note A to the financial statements, during the year ended August 31, 2019, USA Hockey, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

*Waugh & Goodwin, LLP*

Colorado Springs, Colorado
October 25, 2019

USA HOCKEY, INC.
USA HOCKEY FOUNDATION AND SUBSIDIARIES
HOCKEY AND RINK PROTECTION, INC.
Consolidating Statement of Financial Position
August 31, 2019
(With Comparative Consolidated Totals for 2018)

| | USA Hockey, Inc. | USA Hockey Foundation and Subsidiaries | Hockey and Rink Protection, Inc. | Eliminating Entries | Consolidated Totals 2019 | Consolidated Totals 2018 |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| CURRENT ASSETS: | | | | | | |
| Cash and cash equivalents | $ 10,558,807 | $ 1,576,855 | $ 747,405 | $ | $ 12,883,067 | $ 14,134,309 |
| Restricted cash | 729,529 | | | | 729,529 | 727,426 |
| Short-term investments (Note C) | | | 6,046,458 | | 6,046,458 | 5,970,772 |
| Accounts receivable | 2,197,197 | 150,300 | | | 2,347,497 | 1,584,465 |
| Grants receivable | | 980,029 | | | 980,029 | 988,971 |
| Current portion of pledges receivable (Note E) | | 100,000 | | | 100,000 | 215,000 |
| Due from USA Hockey, Inc. | | 35,856 | | (35,856) | | |
| Due from USA Hockey Foundation | 1,233,736 | | | (1,233,736) | | |
| Inventory | | 253,558 | | | 253,558 | 207,401 |
| Grants receivable from USA Hockey Foundation | 3,939,143 | | | (3,939,143) | | |
| Prepaid expenses | 1,794,542 | 327,461 | 9,709 | | 2,131,712 | 2,838,114 |
| Total current assets | 20,452,954 | 3,424,059 | 6,803,572 | (5,208,735) | 25,471,850 | 26,666,458 |
| LONG-TERM INVESTMENTS (Note C) | | 18,134,119 | | | 18,134,119 | 19,834,596 |
| LONG-TERM PLEDGES RECEIVABLE, net (Note E) | | 188,388 | | | 188,388 | 288,388 |
| PROPERTY AND EQUIPMENT - at cost (Note F) | 8,202,698 | 34,163,335 | | | 42,366,033 | 39,177,911 |
| Less accumulated depreciation | (6,087,654) | (4,911,373) | | | (10,999,027) | (9,365,382) |
| Property and equipment, net | 2,115,044 | 29,251,962 | | | 31,367,006 | 29,812,529 |
| OTHER ASSETS (Note G): | | | | | | |
| Artwork | | 690,000 | | | 690,000 | 400,000 |
| Other assets | | | 5,523 | | 5,523 | 4,856 |
| Investment in HARP (Note J) | 750,000 | | | (750,000) | | |
| Intangible assets, net of amortization of $153,833 and $119,003 | | 368,620 | | | 368,620 | 403,450 |
| Total other assets | 750,000 | 1,058,620 | 5,523 | (750,000) | 1,064,143 | 808,306 |
| TOTAL ASSETS | $ 23,317,998 | $ 52,057,148 | $ 6,809,095 | $ (5,958,735) | $ 76,225,506 | $ 77,410,277 |

LIABILITIES AND NET ASSETS

| | | | | | | |
|---|---|---|---|---|---|---|
| CURRENT LIABILITIES: | | | | | | |
| Accounts payable and accrued liabilities | $ 3,216,605 | $ 331,712 | $ 2,264,998 | $ | $ 5,813,315 | $ 5,221,034 |
| Accrued payroll and related benefits | 562,862 | | | | 562,862 | 589,490 |
| Deferred revenue (Note H) | 18,140,990 | 130,604 | | | 18,271,594 | 16,209,837 |
| Due to USA Hockey, Inc. | | 1,255,844 | | (1,255,844) | | |
| Due to USA Hockey Foundation | 13,748 | | | (13,748) | | |
| Grants payable to USA Hockey, Inc. | | 3,939,143 | | (3,939,143) | | |
| Current portion of bonds payable (Note I) | | 458,138 | | | 458,138 | 213,730 |
| Total current liabilities | 21,934,205 | 6,115,441 | 2,264,998 | (5,208,735) | 25,105,909 | 22,234,091 |
| LONG-TERM LIABILITIES: | | | | | | |
| Deferred revenue - long term (Note H) | | 20,166 | | | 20,166 | 61,138 |
| Bonds payable, net (Note I) | | 10,230,587 | | | 10,230,587 | 10,680,872 |
| Total liabilities | 21,934,205 | 16,366,194 | 2,264,998 | (5,208,735) | 35,356,662 | 32,976,101 |
| NET ASSETS: | | | | | | |
| Net assets without donor restrictions | 1,383,793 | 32,901,730 | 4,544,097 | (750,000) | 38,079,620 | 42,024,837 |
| Net assets with donor restrictions (Notes K and L) | | 2,789,224 | | | 2,789,224 | 2,409,339 |
| Total net assets | 1,383,793 | 35,690,954 | 4,544,097 | (750,000) | 40,868,844 | 44,434,176 |
| TOTAL LIABILITIES AND NET ASSETS | $ 23,317,998 | $ 52,057,148 | $ 6,809,095 | $ (5,958,735) | $ 76,225,506 | $ 77,410,277 |

See Notes to Consolidating Financial Statements

USA HOCKEY, INC.
USA HOCKEY FOUNDATION AND SUBSIDIARIES
HOCKEY AND RINK PROTECTION, INC.

Consolidating Statement of Activities and Changes in Net Assets

For the Year Ended August 31, 2019

(With Comparative Consolidated Totals for 2018)

| | USA Hockey, Inc. | USA Hockey Foundation and Subsidiaries | Hockey and Rink Protection, Inc. | Eliminating Entries | Consolidated Totals 2019 | Consolidated Totals 2018 |
|---|---|---|---|---|---|---|
| REVENUE: | | | | | | |
| Membership registrations and dues | $ 27,193,969 | $ | $ | $ | $ 27,193,969 | $ 26,809,333 |
| National Hockey League (Note O) | | 9,400,000 | | | 9,400,000 | 9,400,000 |
| Corporate sponsorship | 3,156,370 | | | | 3,156,370 | 3,485,993 |
| Plymouth income, net of cost of goods sold | | 2,598,363 | | (209,991) | 2,388,372 | 2,145,127 |
| Tournaments and exhibitions | 2,037,601 | | | | 2,037,601 | 10,728,523 |
| USOPC grants (Note N) | 1,476,280 | | | | 1,476,280 | 1,981,145 |
| Advertising and merchandise sales, net of costs | 383,210 | 407,427 | | | 790,637 | 746,325 |
| Contributions and other grants | | 633,529 | | | 633,529 | 486,498 |
| Other income | 598,088 | 29,577 | | (1,800) | 625,865 | 541,172 |
| Investment income (Note D) | 12,712 | 181,091 | 311,929 | | 505,732 | 1,653,408 |
| Rental income, net of rental expenses (Note N) | | 1,168,507 | | (716,750) | 451,757 | 505,043 |
| Loss on extinguishment of debt | | | | | | (68,467) |
| USA Hockey Foundation grants | 8,588,502 | | | (8,588,502) | | |
| Insurance premiums | | | 390,000 | (390,000) | | |
| Satisfied program restrictions | | 323,361 | | | 323,361 | 424,163 |
| Total unrestricted revenue | 43,446,732 | 14,741,855 | 701,929 | (9,907,043) | 48,983,473 | 58,838,263 |
| EXPENSES: | | | | | | |
| Program services: | | | | | | |
| Membership services & development | 11,020,426 | | 1,046,540 | (390,000) | 11,676,966 | 10,672,024 |
| International programs | 8,573,764 | | | (24,980) | 8,548,784 | 10,146,231 |
| National team development | 4,370,773 | | | (513,860) | 3,856,913 | 3,735,963 |
| Plymouth arena programs | | 3,822,638 | | | 3,822,638 | 4,001,232 |
| Player development | 2,840,902 | 9,355,161 | | (8,600,693) | 3,595,370 | 3,609,971 |
| Officials | 2,751,602 | | | (8,210) | 2,743,392 | 3,041,798 |
| Coaching | 2,192,083 | | | | 2,192,083 | 2,320,634 |
| American development model | 1,856,471 | | | | 1,856,471 | 1,784,468 |
| Adult hockey | 1,741,956 | 2,700 | | | 1,744,656 | 1,389,296 |
| Annual Congress/ Mid-Winter Meetings | 1,104,541 | | | | 1,104,541 | 1,042,558 |
| Youth program | 833,092 | | | | 833,092 | 767,809 |
| Junior program | 680,250 | | | | 680,250 | 525,806 |
| Total program services | 37,965,860 | 13,180,499 | 1,046,540 | (9,537,743) | 42,655,156 | 43,037,790 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Supporting services: | | | | | | |
| General and administrative | 7,409,429 | 1,192,922 | | (369,300) | 8,233,051 | 7,500,644 |
| Marketing and fundraising | 1,403,361 | 637,122 | | | 2,040,483 | 2,224,074 |
| Total supporting services | 8,812,790 | 1,830,044 | | (369,300) | 10,273,534 | 9,724,718 |
| Total unrestricted expenses | 46,778,650 | 15,010,543 | 1,046,540 | (9,907,043) | 52,928,690 | 52,762,508 |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | (3,331,918) | (268,688) | (344,611) | | (3,945,217) | 6,075,755 |
| NET ASSETS WITH DONOR RESTRICTIONS (Notes K and L): | | | | | | |
| Contributions | | 701,931 | | | 701,931 | 989,098 |
| Investment income | | 1,315 | | | 1,315 | 660 |
| Less satisfied program restrictions | | (323,361) | | | (323,361) | (424,163) |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | | 379,885 | | | 379,885 | 565,595 |
| CHANGE IN NET ASSETS | (3,331,918) | 111,197 | (344,611) | | (3,565,332) | 6,641,350 |
| NET ASSETS, beginning of year | 4,715,711 | 35,579,757 | 4,888,708 | (750,000) | 44,434,176 | 37,792,826 |
| NET ASSETS, end of year | $ 1,383,793 | $ 35,690,954 | $ 4,544,097 | $ (750,000) | $ 40,868,844 | $ 44,434,176 |

USA HOCKEY, INC.
USA HOCKEY FOUNDATION AND SUBSIDIARIES
HOCKEY AND RINK PROTECTION, INC.

Consolidated Statement of Functional Expenses

For the Year Ended August 31, 2019

(With Comparative Consolidated Totals for 2018)

| | Membership Services & Development | International Programs | National Team Development | Plymouth Arena Programs | Player Development | Officials | Coaching | American Development Model | Adult Hockey |
|---|---|---|---|---|---|---|---|---|---|
| Advertising & promotion | $ 75,812 | $ 228 | $ 1,260 | $ 212,235 | $ | $ | $ | $ 54,000 | $ 126,323 |
| Audio/visual | | | | | | | | | |
| Bad debt | | | | 1,800 | | | | | |
| Building rent | | | 750 | | | | | | |
| Computer maintenance & support | 104,248 | | 13,595 | | | | | | |
| Contract services | 409,850 | 11,805 | 496,330 | | 19,615 | 109,812 | 264,804 | 17,204 | 177,514 |
| Corporate sponsor - VIK | 4,885 | 209,490 | 126,865 | | 59,463 | 581 | 9,507 | 23,558 | |
| Cost of goods sold | | | | 1,128,057 | | | | | |
| Depreciation & amortization | 72,827 | 14,586 | 84,253 | 982,431 | | 14,275 | 173,769 | | |
| Dues & subscriptions | 9,134 | 169,540 | 19,350 | 2,399 | | 9,703 | 1,375 | 7,864 | 705 |
| Employee benefits | 364,481 | 173,706 | 294,719 | 57,690 | | 89,941 | 85,040 | 220,166 | 69,247 |
| Equipment | 80,536 | 300,068 | 16,971 | 65,728 | 2,064 | 32,975 | 40,704 | 29,929 | 91,066 |
| Game costs | | | | 160,319 | | | | | |
| Grants | | 1,777,284 | | | 2,055,829 | | | | |
| Honoraria | | 1,515,640 | 156,647 | | 218,730 | 300,408 | 171,353 | | 13,428 |
| Ice rental | 1,465 | 40,974 | 5,397 | | 66,213 | 80,254 | 126,571 | 200 | 295,050 |
| Insurance | 6,582,416 | 230,748 | | 196,892 | | | | | 724 |
| Interest | | | | 325,766 | | | | | |
| Investment & bank fees | | | | 37,420 | | | | | |
| League expenses | | | | 76,143 | | | | | |
| Other | 648,523 | 76,367 | 13,581 | 7,538 | 12,295 | 109,722 | 74,924 | 8,742 | 33,179 |
| Payroll taxes | 106,517 | 63,686 | 107,291 | 81,022 | | 38,267 | 25,493 | 75,458 | 22,171 |
| Postage & freight | 977,587 | 201,090 | 12,612 | 3,716 | 28,197 | 87,594 | 54,437 | 9,655 | 45,069 |
| Printing & publications | 294,051 | 2,489 | 8,553 | 41,516 | 12,690 | 112,079 | 75,709 | 72,530 | 11,737 |
| Professional fees | | | | 35,033 | | | | | |
| Property tax | | | | 294,590 | | | | | |
| Repairs & maintenance | | | 2,660 | 379,582 | | | | | |
| Salaries | 1,453,227 | 850,895 | 1,378,441 | 1,208,868 | | 508,217 | 335,093 | 959,575 | 299,331 |
| Special events | | | | 170,771 | | | | | |
| Supplies | 8,106 | 44,315 | 244,390 | 32,123 | 21,700 | 20,010 | 21,468 | 3,576 | 13,666 |
| Support for STAR | | | | | | | | | |
| Telephone | 26,776 | 6,460 | 9,901 | 32,321 | 698 | 15,551 | 3,436 | 8,309 | 2,359 |
| Travel | 252,967 | 2,774,065 | 847,828 | 11,179 | 1,023,948 | 1,145,491 | 690,940 | 361,928 | 424,961 |
| Trophies & awards | 6,306 | 20,695 | 7,933 | | 2,087 | 15,840 | 12,721 | 358 | 104,510 |
| Uniforms | 197,252 | 57,360 | 7,586 | 4,001 | 71,841 | 52,672 | 24,739 | 3,419 | 13,112 |
| Utilities | | | | 455,920 | | | | | 504 |
| Vehicle expenses | | 7,293 | | | | | | | |
| Total expenses | 11,676,966 | 8,548,784 | 3,856,913 | 6,005,060 | 3,595,370 | 2,743,392 | 2,192,083 | 1,856,471 | 1,744,656 |
| Less expenses net of revenue on statement of activities | | | | (2,182,422) | | | | | |
| Total | $ 11,676,966 | $ 8,548,784 | $ 3,856,913 | $ 3,822,638 | $ 3,595,370 | $ 2,743,392 | $ 2,192,083 | $ 1,856,471 | $ 1,744,656 |

| | Annual Congress/ Mid-Winter Meetings | Youth Program | Junior Program | Total | General & Administrative | Marketing & Fundraising | 2019 Consolidated Total Expenses | 2018 Consolidated Total Expenses |
|---|---|---|---|---|---|---|---|---|
| Advertising & promotion | $ | $ | $ 14,940 | $ 484,798 | $ 43,812 | $ 52,803 | $ 581,413 | $ 712,703 |
| Audio/visual | 156,524 | | | 156,524 | | | 156,524 | 99,259 |
| Bad debt | | | | 1,800 | | 45,000 | 46,800 | 500 |
| Building rent | | | | 750 | 84,857 | | 85,607 | 43,102 |
| Computer maintenance & support | | | | 117,843 | 111,994 | | 229,837 | 172,768 |
| Contract services | 25,190 | 2,187 | 35,200 | 1,569,511 | 440,453 | 153,680 | 2,163,644 | 1,871,797 |
| Corporate sponsor - VIK | 50,307 | | 7,500 | 492,156 | 7,874 | 49,768 | 549,798 | 686,746 |
| Cost of goods sold | | | | 1,128,057 | | | 1,128,057 | 1,094,192 |
| Depreciation & amortization | | | | 1,342,141 | 327,576 | | 1,669,717 | 1,620,756 |
| Dues & subscriptions | | 185 | 600 | 220,855 | 20,990 | 661 | 242,506 | 329,832 |
| Employee benefits | | 119,092 | | 1,474,082 | 1,336,947 | 177,107 | 2,988,136 | 2,754,268 |
| Equipment | | 360 | 3,138 | 663,539 | 118,001 | 6,619 | 788,159 | 978,720 |
| Game costs | | | | 160,319 | | | 160,319 | 180,015 |
| Grants | | | 501,000 | 4,334,113 | | | 4,334,113 | 4,271,864 |
| Honoraria | | | 7,300 | 2,383,506 | 2,500 | 7,010 | 2,393,016 | 3,069,565 |
| Ice rental | | | 492 | 616,616 | 9,563 | 520 | 626,699 | 690,127 |
| Insurance | | | | 7,010,780 | 208,093 | 2,513 | 7,221,386 | 6,127,523 |
| Interest | | | | 325,766 | | | 325,766 | 508,899 |
| Investment & bank fees | | | | 37,420 | 69,167 | 7,026 | 113,613 | 107,690 |
| League expenses | | | | 76,143 | | | 76,143 | 78,835 |
| Other | 4,518 | | | 989,389 | 228,503 | 98,199 | 1,316,091 | 1,552,711 |
| Payroll taxes | | 148 | 994 | 521,047 | 268,292 | 69,514 | 858,853 | 844,000 |
| Postage & freight | 7,144 | 35,009 | | 1,462,110 | 33,907 | 21,355 | 1,517,372 | 1,724,273 |
| Printing & publications | 5,047 | 11,785 | 7,279 | 655,465 | 16,888 | 9,763 | 682,116 | 600,347 |
| Professional fees | | 27,403 | 153 | 62,589 | 544,384 | 90,244 | 697,217 | 552,761 |
| Property tax | | | | 294,590 | 158 | | 294,748 | 282,674 |
| Repairs & maintenance | | | | 382,242 | 118,268 | | 500,510 | 453,573 |
| Salaries | | 508,210 | | 7,501,857 | 3,299,525 | 944,355 | 11,745,737 | 11,303,365 |
| Special events | | | | 170,771 | | | 170,771 | 187,965 |
| Supplies | 3,326 | 248 | 1,903 | 414,831 | 102,195 | 1,151 | 518,177 | 598,491 |
| Support for STAR | | | | | 125,000 | | 125,000 | 125,000 |
| Telephone | 104 | 2,646 | 302 | 108,863 | 67,658 | 3,529 | 180,050 | 185,572 |
| Travel | 833,891 | 53,744 | 95,499 | 8,516,441 | 498,344 | 274,629 | 9,289,414 | 9,541,210 |
| Trophies & awards | 18,490 | 72,075 | | 261,015 | 50,920 | 15,928 | 327,863 | 388,225 |
| Uniforms | | | 3,950 | 435,932 | 969 | 9,109 | 446,010 | 588,879 |
| Utilities | | | | 456,424 | 83,446 | | 539,870 | 552,433 |
| Vehicle expenses | | | | 7,293 | 12,767 | | 20,060 | 22,383 |
| Total expenses | 1,104,541 | 833,092 | 680,250 | 44,837,578 | 8,233,051 | 2,040,483 | 55,111,112 | 54,903,023 |
| Less expenses net of revenue on statement of activities | | | | (2,182,422) | | | (2,182,422) | (2,140,515) |
| Total | $ 1,104,541 | $ 833,092 | $ 680,250 | $ 42,655,156 | $ 8,233,051 | $ 2,040,483 | $ 52,928,690 | $ 52,762,508 |

USA HOCKEY, INC.
USA HOCKEY FOUNDATION AND SUBSIDIARIES
HOCKEY AND RINK PROTECTION, INC.

Consolidating Statement of Cash Flows

For the Year Ended August 31, 2019

(With Comparative Consolidated Totals for 2018)

| | USA Hockey, Inc. | USA Hockey Foundation and Subsidiaries | Hockey and Rink Protection, Inc. | Eliminating Entries | Consolidated Totals 2019 | Consolidated Totals 2018 |
|---|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Change in net assets | $ (3,331,918) | $ 111,197 | $ (344,611) | $ | $ (3,565,332) | $ 6,641,350 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | | | | | |
| Depreciation and amortization | 675,099 | 994,618 | | | 1,669,717 | 1,620,756 |
| Amortization of bond issuance costs | | 7,356 | | | 7,356 | 12,824 |
| Loss on extinguishment of debt | | | | | | 68,467 |
| Realized gains on investments | | (661,530) | | | (661,530) | (779,186) |
| Unrealized gains on investments | | 905,678 | 630 | | 906,308 | (238,561) |
| Decrease (increase) in assets: | | | | | | |
| Restricted cash | (2,103) | | | | (2,103) | (436) |
| Accounts receivable | (709,534) | (53,500) | | | (763,034) | 655,352 |
| Grants receivable | | 8,942 | | | 8,942 | 204,308 |
| Pledges receivable | | 215,000 | | | 215,000 | (347,477) |
| Inventory | | (46,157) | | | (46,157) | (9,943) |
| Grants receivable from USA Hockey Foundation | (30,360) | | | 30,360 | | |
| Prepaid expenses | 558,693 | 30,569 | | | 589,262 | (49,591) |
| Other assets | | | 116,473 | | 116,473 | 73,795 |
| Increase (decrease) in liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 75,228 | (115,417) | 632,471 | | 592,282 | 632,958 |
| Accrued payroll and related benefits | (26,625) | | | | (26,625) | (7,909) |
| Deferred revenue | 2,085,806 | (65,021) | | | 2,020,785 | 901,476 |
| Grants payable to USA Hockey, Inc. | | 30,360 | | (30,360) | | |
| Total adjustments | 2,626,204 | 1,250,898 | 749,574 | | 4,626,676 | 2,736,833 |
| Net cash provided (used) by operating activities | (705,714) | 1,362,095 | 404,963 | | 1,061,344 | 9,378,183 |

| | | | | | | |
|---|---|---|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Acquisition of property and equipment | (747,439) | (2,441,927) | | | (3,189,366) | (585,863) |
| Acquisition of intangible assets | | | | | | (121,874) |
| Purchase of long-term and available for sale investments | | (3,613,202) | (461,316) | | (4,074,518) | (5,188,118) |
| Proceeds from long-term and available for sale investments | | 4,779,531 | 385,000 | | 5,164,531 | 4,670,354 |
| Net cash used by investing activities | (747,439) | (1,275,598) | (76,316) | | (2,099,353) | (1,225,501) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | | |
| Due to/from USA Hockey, Inc. | | (23,554) | | 23,554 | | |
| Due to/from USA Hockey Foundation | 23,554 | | | (23,554) | | |
| Principal payments on bonds payable | | (213,233) | | | (213,233) | (7,021,041) |
| Net cash provided (used) by financing activities | 23,554 | (236,787) | | | (213,233) | (7,021,041) |
| NET INCREASE (DECREASE) IN CASH | (1,429,599) | (150,290) | 328,647 | | (1,251,242) | 1,131,641 |
| CASH AND CASH EQUIVALENTS, beginning of year | 11,988,406 | 1,727,145 | 418,758 | | 14,134,309 | 13,002,668 |
| CASH AND CASH EQUIVALENTS, end of year | $ 10,558,807 | $ 1,576,855 | $ 747,405 | $ | $ 12,883,067 | $ 14,134,309 |

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The financial statements of USA Hockey, Inc. are being presented on a consolidated basis with the USA Hockey Foundation and subsidiaries and Hockey and Rink Protection, Inc. in order to conform to the requirements of FASB ASC 958. The Standard requires consolidation when one nonprofit has an economic interest and controls the appointment of a majority of the board of directors of another nonprofit entity.

Transactions between the entities are shown as eliminating entries and removed in order to properly reflect consolidated totals.

### Organization

USA Hockey, Inc. (the Corporation) is the national governing body for ice hockey, making it responsible for the conduct and administration of amateur ice hockey in the United States.

The USA Hockey Foundation (the Foundation) was incorporated in 1989. The purpose of the Foundation is to raise funds and acquire assets that will enable USA Hockey, Inc. to encourage, improve and promote amateur ice hockey in the United States.

During the year ended August 31, 2015, the Foundation formed Plymouth AC, LLC (Plymouth AC) for the purpose of purchasing and maintaining a hockey arena in Michigan. A purpose of the hockey arena is to provide a wholly owned home for the National Team Development Program. The Foundation is the sole member of Plymouth AC.

The purchase of the arena also included a restaurant and concession activities. The Foundation formed Beck Road Concessions, LLC (Beck Road) for the purpose of conducting those operations. The Foundation is the sole member of Beck Road.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Organization - continued

Hockey and Rink Protection, Inc., (HARP), was formed on May 18, 2004, in the State of Vermont as a mutual benefit corporation of which USA Hockey, Inc. is the sole member. The Company commenced operations on September 1, 2004. HARP provides general liability coverage to ice hockey participants, coaches, officials, and volunteers associated with USA Hockey, Inc.

Accounting Standards Update

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of its financial statements, accordingly, applying the changes retrospectively to the comparative period presented except for the presentation of prior year expenses according to their natural classification which is allowable under transition guidance for ASU 2016-14. The new standards change the following aspects of the Corporation's financial statements:

- The temporarily restricted and permanently restricted net asset classes, if any existed, have been combined into a single net asset class called net assets with donor restrictions.

- The unrestricted net asset class has been renamed net assets without donor restrictions.

- The financial statements now include a presentation of expenses that describes both the functional nature of the expenses and their natural classification according to the actual usage of resources.

- The financial statements include a new disclosure about liquidity and availability of resources (Note B).

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The changes have the following effect on net assets at August 31, 2018:

| Net Asset Class | As Originally Presented | After Adoption of ASU 2016-14 |
|---|---|---|
| Unrestricted net assets | $ 42,024,837 | $ |
| Temporarily restricted net assets | 2,243,463 | |
| Permanently restricted net assets | 165,876 | |
| Net assets without donor restrictions | | 42,024,837 |
| Net assets with donor restrictions | | 2,409,339 |
| Total net assets | $ 44,434,176 | $ 44,434,176 |

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Income Taxes

The Corporation and the Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, are not subject to federal income tax. Neither entity is a private foundation. HARP qualifies under the provisions of Section 501 of the Internal Revenue Code to be exempt from federal income taxes. Accordingly, no tax provision has been recorded.

The Corporation's, Foundation's, and HARP's forms 990, Return of Organization Exempt from Income Tax, are subject to examination by various taxing authorities, generally for three years after the date they were filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

Plymouth AC and Beck Road, as single-member LLCs, are considered disregarded entities for income tax reporting purposes. Accordingly, their activity is reported on the Foundation's tax return.

Profits that are generated from activities unrelated to the exempt purposes could be subject to income tax.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Joint Venture

During the year ended August 31, 2000, the Corporation entered into a joint venture with the U.S. Figure Skating Association to form Serving the American Rinks (STAR). STAR, which is a tax-exempt organization under 501(c)(6), was established to design and implement programs to foster the development, growth, and success of ice-skating rinks and inline facilities. The Corporation has agreed to provide support for this program up to $125,000 for the year ended December 31, 2019.

### Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's, the Foundation's, and HARP's cash balances in their respective checking and money market accounts.

The Corporation, the Foundation, and HARP maintain their cash and cash equivalents at commercial banks and in money market funds managed by a brokerage firm. In the event of a bank or fund failure, they could suffer a loss to the extent deposits exceeded the respective bank or brokerage firm's insurance limits.

### Restricted Cash

The Corporation has segregated restricted cash into a separate account. The account is restricted for collateral for letters of credit required by the Corporation's insurance carrier.

### Investments

The Corporation and the Foundation account for their investments in accordance with FASB ASC 958, "Not-for-Profit Entities". All of the Corporation and Foundation investments are recorded at quoted market values. Unrealized gains and losses are reported as revenue in the accompanying Consolidating Statement of Activities and Changes in Net Assets. Realized gains and losses on investments sold, determined on a specific identification basis, are also included in revenue.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments - continued

HARP accounts for its investments in accordance with FASB ASC 320, "Debt and Equity Securities". Management determines the appropriate classification of its investments in debt securities at the time of purchase and reevaluates such determination at each balance sheet date.

All of HARP's investments were in mutual funds at August 31, 2019 and 2018, and are classified as available for sale. Available for sale securities may be sold prior to maturity and are carried at fair value. Unrealized gains and losses relating to available for sale securities are reported in a separate component of member's equity as accumulated other comprehensive income. Realized investment gains and losses on investments sold, determined on a specific identification basis, are included in revenue.

Accounts Receivable

Accounts receivable are stated at the amount the Corporation and Foundation expect to collect from balances outstanding at year end. Based on management's assessment of the outstanding balances, it has concluded that an allowance for doubtful accounts is not necessary for the years ended August 31, 2019 and 2018.

Inventory

Inventories consist of food and merchandise and are stated at the lower of first-in, first-out (FIFO) cost or net realizable value.

Depreciation and Amortization

Property and equipment are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Capital expenditures exceeding $1,000 to $10,000, depending on the type of asset acquired, are capitalized and depreciated over the appropriate term according to the policies in place. Depreciation is recorded using the straight-line method over estimated useful lives of three to ten years for furniture and equipment and fifty years for buildings.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation and Amortization - continued

Amortization is recorded on the licenses acquired and startup costs related to Plymouth AC and Beck Road, using the straight-line method over a period of fifteen years. Intangible expenditures exceeding $3,000 to $20,000, depending on the type of intangible asset acquired, are capitalized and amortized over the appropriate term according to the Foundation's policies.

Depreciation and amortization expense amounted to $1,669,717 and $1,620,756 for the years ended August 31, 2019 and 2018, respectively.

Supplemental Cash Flow Disclosure

Cash flows from operating activities reflect interest paid of $318,940 and $502,023 for the years ended August 31, 2019 and 2018, respectively. No income taxes were paid during either year.

Revenue Recognition

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfied program restrictions. Contributions and grants with donor restrictions are reported as support and revenue without donor restrictions if the restriction is met in the same year that the gift is received. Contributions and grants with donor restrictions are reported as support and revenue without donor restrictions if the restriction is met in the same year that the gift is received. Sponsorship and other related revenues are recognized in the period in which they are earned.

HARP insurance premiums written are earned on a pro rata basis over the related policy period. The portion of premiums that will be earned in the future is deferred and reported as deferred revenue on the statement of financial position. All of the policies are written on a fiscal year basis and therefore there is no unearned premium revenue at August 31, 2019 and 2018.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed Services

The Corporation receives a substantial amount of donated services in carrying out their programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 605.

Donated Materials

Donated materials are recorded as both a revenue and expenditure in the accompanying statement of activities at their estimated values.

Reserve for Unpaid Losses

HARP's reserve for unpaid losses includes case basis estimates of reported losses, plus supplemental reserves for incurred but not reported losses calculated based upon loss projections utilizing USA Hockey, Inc.'s historical loss history and industry data. In establishing this reserve, HARP utilizes the findings of an independent consulting actuary. Management believes that its aggregate reserve for unpaid losses at year end represents its best estimate, based on the available data, of the amount necessary to cover the ultimate cost of losses; however, because of the nature of the insured risks and limited historical experience, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the statement of financial position date. Accordingly, the ultimate liability could be significantly in excess of, or less than, the amount indicated in these financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

During fiscal year 2018, HARP was required to adopt FASB Accounting Standards Update 2015-09, *"Financial Services - Insurance (Topic 944): Disclosures About Short-Duration Contracts"* (ASU 2015-09). ASU 2015-09 requires entities that issue short-duration contracts to provide detailed disclosures relative to the reserve for unpaid losses and loss adjustment expenses in annual reporting periods. ASU 2015-09 also requires disclosures regarding significant changes in methodologies and assumptions used to calculate the reserve for unpaid losses and loss adjustment expenses, including reasons for the effects of such changes.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Reserve for Unpaid Losses - continued

The adoption of ASU 2015-09 did not have any impact on HARP's financial position or results of its operations and requires only certain additional disclosures and required supplemental information to be presented. See Note P.

### Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Some of the expenses which are allocated include utilities and depreciation, which are allocated on a square footage basis, as well as salaries, which are allocated on the basis of time and effort estimates.

### Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

### Prior-Year Comparisons

The financial statements include certain prior year summarized comparative information in total but not by net asset or functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended August 31, 2018, from which the summarized information was derived.

### Date of Management's Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 25, 2019, the date that the financial statements were available to be issued.

## B. AVAILABLE RESOURCES AND LIQUIDITY

The Corporation, Foundation and HARP's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 12,883,067 |
| Accounts and grants receivable | 3,327,526 |
| Pledges receivable - current | 100,000 |
| Short-term investments | 6,046,458 |
| | 22,357,051 |
| Less assets with donor restrictions: | |
| Donor restrictions - temporary in nature net of portion in long-term pledge receivable | 2,487,572 |
| Donor restrictions - perpetual in nature | 169,876 |
| Financial assets available within one year | $ 19,699,603 |

The Corporation and Foundation work to secure funding from contributions and grants throughout the year. The Foundation also has investment income, ticket sales, and ancillary sources of funding from other contracts. The Board meets regularly to monitor its liquidity needs. Simultaneously, the Board strives to maximize the investment of its available funds. The Corporation and Foundation have cash and cash equivalents as a current source of liquidity at their disposal. The short-term investments are available for HARP's expenditures but would require approval of the Vermont Department of Financial Regulation prior to a distribution to the Corporation or Foundation.

## C. FAIR VALUE MEASUREMENTS

The Corporation, Foundation, and HARP apply Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

C. FAIR VALUE MEASUREMENTS - Continued

The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation, Foundation, and HARP have the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels are recorded at the end of the reporting period.

When a decline in fair market value is deemed to be other than temporary, a provision for impairment is charged to earnings, included in net realized investment gains, and the cost basis of that investment is reduced.

For mutual funds, HARP's management reviews several factors to determine whether a loss is other than temporary, such as the length of time a security is in an unrealized loss position, extent to which the fair value is less than cost, the financial condition and near term prospects of the issuer and the HARP's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. No other than temporary impairments related to mutual funds were recorded in the years ended August 31, 2019 and 2018.

The following tables present assets that are measured at fair value on a recurring basis at August 31, 2019 and 2018:

Assets at Fair Value as of August 31, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market | $ 318,948 | $ | $ | $ 318,948 |
| Equities | 10,276,609 | | | 10,276,609 |
| Mutual funds | 6,046,458 | | | 6,046,458 |
| Fixed income | 5,848,960 | | | 5,848,960 |
| USOE pooled fund | | 1,689,603 | | 1,689,603 |
| | $ 22,490,974 | $ 1,689,603 | $ | $ 24,180,577 |

## C. FAIR VALUE MEASUREMENTS - Continued

Assets at Fair Value as of August 31, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market | $ 104,401 | $ | $ | $ 104,401 |
| Equitites | 12,548,410 | | | 12,548,410 |
| Mutual funds | 5,970,772 | | | 5,970,772 |
| Fixed income | 5,554,830 | | | 5,554,830 |
| USOE pooled fund | | 1,626,955 | | 1,626,955 |
| | $ 24,178,413 | $ 1,626,955 | $ | $ 25,805,368 |

The above categories include $1,689,603 at August 31, 2019, and $1,626,955 at August 31, 2018, invested in a pooled portfolio managed by the United States Olympic Endowment (USOE). The remainder of the Foundation's investment portfolio is managed by Chief Investment Officers, Hirtle Callaghan & Co., and is invested with Charles Schwab and Wells Fargo.

The United States Olympic Endowment (USOE) investment consists of units in a pooled portfolio managed by the USOE. At August 31, 2019, the USOE portfolio consisted of the following types of securities:

| | |
|---|---|
| Alternative investments | 38.39% |
| Domestic equitites | 30.44% |
| International equitites | 18.10% |
| Domestic bonds | 7.16% |
| International bonds | 2.63% |
| Cash and cash equivalents | 3.28% |
| | 100.00% |

The alternative investments include hedge equity funds, private equity funds, real estate funds and limited partnerships.

HARP's short-term investments are recorded at quoted market values and consist of mutual funds in the amount of $6,046,458 and $5,970,772 at August 31, 2019 and 2018, respectively.

## C. FAIR VALUE MEASUREMENTS - Continued

Some investments are exposed to various risks that may cause their reported fair values to fluctuate from period to period and could materially affect the recorded amount of investments in the consolidated financial statements. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of individual companies, general business and industry market conditions and the state or perceived direction of the economy. The values of debt securities fluctuate in response to changing interest rates, credit worthiness of issuers, and overall economic policies that impact market conditions. The values of certain investments, such as hedge funds, can fluctuate in response to direct market conditions and other factors that may or may not have a high correlation to overall market direction.

Though the market values of investments are subject to fluctuation, management and the investment committee believe that the investment policy is prudent for the long-term welfare of the Foundation and HARP.

## D. INVESTMENT INCOME

Investment income consists of the following for the years ended August 31, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Unrealized gains (losses) on securities | $ (890,968) | $ 238,561 |
| Realized gains on securities | 646,190 | 779,186 |
| Interest and dividends | 847,873 | 739,782 |
| Investment expenses | (96,048) | (103,461) |
| | $ 507,047 | $ 1,654,068 |

## E. PLEDGES RECEIVABLE

As of August 31, 2019, the Foundation had net pledges receivable of $288,388, representing unconditional promises to give made during the current and prior years. The pledges are scheduled to be received by the Foundation during the next three years.

Long-term portions of the pledges were discounted using a discount rate of 2.00%. The discount on pledges receivable was $11,612 at August 31, 2019.

## F. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Buildings and improvements | $ 30,059,363 | $ 27,634,559 |
| Equipment, furniture and technology | 6,881,583 | 6,255,624 |
| Land | 3,295,000 | 3,295,000 |
| Program equipment | 2,130,087 | 1,992,728 |
| Less accumulated depreciation | (10,999,027) | (9,365,382) |
| | $ 31,367,006 | $ 29,812,529 |

## G. OTHER ASSETS

Included in intangible assets at August 31, 2019, are start-up costs and licenses incurred by the Foundation and subsidiaries of $522,453 less amortization of $153,833. During the year ended August 31, 2007 the Foundation received a donation of two paintings with an appraised value of $400,000. During the year ended August 31, 2019, 29 prints with an appraised value of $290,000 were donated to the Foundation.

## H. DEFERRED REVENUE

Deferred revenue consists of the following at August 31, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Registrations and tournament fees | $ 16,162,100 | $ 14,103,003 |
| Seminar and clinic fees | 973,082 | 857,192 |
| Sponsor payment | 525,000 | 626,250 |
| Officials Affiliate fees | 229,169 | 208,340 |
| Plymouth Arena programs | 139,234 | 205,433 |
| USOPC grant | 94,000 | 98,465 |
| Transfer card fees | 80,200 | 78,250 |
| Insurance proceeds | 64,969 | 64,969 |
| Other | 12,470 | 18,715 |
| Beck Road programs | 11,536 | 10,358 |
| | $ 18,291,760 | $ 16,270,975 |

## I. BONDS PAYABLE

On November 1, 1996, the Foundation entered into a loan agreement to obtain financing for construction of the headquarters office building it leases to USA Hockey, Inc. under a trust indenture between El Paso County, Colorado and JP Morgan Chase, Colorado, as trustee, the proceeds from the sale of $3,400,000 aggregate principal amount of El Paso County, Colorado Adjustable Rate Economic Development Revenue Bonds Series 1996 (USA Hockey Project) were loaned to the Foundation pursuant to a loan agreement dated November 1, 1996 between the Foundation and El Paso County, Colorado. An irrevocable letter of credit issued November 22, 1996, and originally expiring November 15, 2007, was extended until November 15, 2019.

In connection with the purchase of an ice arena in Plymouth, Michigan during the year ended August 31, 2015, the Foundation and Plymouth AC entered into two new bond arrangements in the aggregate amount of $19,500,000 for the acquisition and construction improvements of this property. As part of this arrangement, the USA Hockey Project bonds were retired and refinanced as part of the new bond structure.

Colorado Educational and Cultural Facilities Authority (CECFA) issued Refunding and Improvement Revenue Bonds (USA Hockey Project - Plymouth AC, LLC), Series 2015A (2015A), in the original aggregate principal amount of $11,400,000 pursuant to the terms of an Indenture of Trust, Dated as of March 1, 2015, with Wells Fargo Bank, NA as the Trustee. The proceeds from the sale of these bonds were loaned to Plymouth AC pursuant to a loan agreement dated March 1, 2015. The initial rate on these bonds is 2.89% through March 31, 2025, at which time the rate will adjust. These bonds are secured by a First Leasehold Deed of Trust and assignment of rents on the national headquarters building in Colorado Springs, Colorado as well as a Mortgage on the arena building in Plymouth, Michigan, as well as a Debt Service Reserve Fund in the amount of $1,000,000, held in a custodial account at Wells Fargo Bank, NA. The Foundation has issued a guarantee of the loan to Plymouth AC.

CECFA also issued Taxable Improvement Revenue Bonds (USA Hockey Project - USA Hockey Foundation), Series 2015B (2015B), in the original aggregate principal amount of $8,100,000 pursuant to the terms of an Indenture of Trust, dated as of March 1, 2015, with Wells Fargo Bank, NA as the Trustee.

I. BONDS PAYABLE - Continued

The proceeds from the sale of these bonds were loaned to the Foundation pursuant to a loan agreement dated March 1, 2015. The initial interest rate on the 2015B bond series is 3.45% through March 31, 2020, at which time the rate will adjust. These bonds were secured by readily marketable securities margined based on asset type and held in a custodial account at Wells Fargo Bank, NA. During the year ended August 31, 2018, the Series 2015B bonds were redeemed in entirety. The loss on extinguishment of debt of $68,467 reported during the year ended August 31, 2018, represents the unamortized bond issuance costs at the time of the redemption of the Series 2015B bonds.

The Foundation represents that the unrestricted cash and investments held by the Foundation will be equal to or greater than $9,750,000, measured annually. With the redemption of the Series 2015B bonds, this covenant was removed. The Foundation, Plymouth AC, and USA Hockey, Inc. are required to obtain bank approval prior to incurring additional debt in excess of $100,000.

Additional negative loan covenants restrict the Foundation from substantially altering it business activities, guaranteeing or incurring certain obligations, and changing certain investment policies.

The bonds may be redeemed in whole or in part on any interest payment date after the first day of the redemption period as defined in the Indenture of Trust and a declining redemption premium is due on any bond prepayment pursuant to the Indenture of Trust terms.

At August 31, 2019 and 2018, the face amounts of the bonds were $10,766,581 and $10,979,814, respectively, and the unamortized debt issuance costs were $77,856 and $85,212, respectively.

Future minimum principal payments due for the years ending August 31 are as follows:

| | |
|---|---|
| 2020 | $ 458,138 |
| 2021 | 936,322 |
| 2022 | 964,129 |
| 2023 | 992,762 |
| 2024 | 1,021,684 |
| Thereafter | 6,393,546 |

## J. MEMBER EQUITY

In accordance with the Vermont Department of Financial Regulation (the Department), HARP must maintain a minimum capital and surplus of $250,000. Prior to dividends being declared and paid to USA Hockey, Inc., HARP must receive written approval from the Department. Dividends of $0 and $1,000,000 were declared and paid during the years ended August 31, 2019 and 2018, respectively. There were no material differences between the audited financial statements and the annual reports filed with the Department.

## K. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY IN NATURE

Net assets with donor restrictions - temporary in nature at August 31, 2019 and 2018, consist of the following:

| | 2019 | 2018 |
|---|---|---|
| Friends of Women's Hockey | $ 554,890 | $ 477,049 |
| James Johannson Legacy Fund | 385,806 | 196,724 |
| National Team development | 339,655 | 339,655 |
| Patty Kazmaier Memorial | 243,407 | 222,485 |
| Youth hockey | 201,487 | 192,085 |
| B. Burke Internship | 191,620 | 192,924 |
| Starts with a Stick | 135,270 | 79,127 |
| Ron DeGregorio Goaltending Fund | 91,866 | 80,891 |
| Walter Bush fund | 90,065 | 90,065 |
| Disabled athlete program | 76,222 | 65,187 |
| Try Hockey for Free Equipment | 55,556 | 55,555 |
| Brianna Decker Endowment Fund | 55,213 | |
| Junior Goaltending Camp - Plymouth MI | 50,000 | |
| Resorce library | 39,885 | 45,885 |
| Disabled youth program | 25,000 | 25,000 |
| Pass It Forward | 17,863 | 17,862 |
| Darian Locklear Memorial Fund | 17,200 | 30,000 |
| Wounded Warriors/disabled program | 12,040 | 11,800 |
| Heads Up Don't Duck program | 10,000 | 10,000 |
| Rink conversion program | 8,511 | 8,511 |
| Brian Fishman Memorial | 7,045 | 5,845 |
| Sled Hockey Team - Paralympic | 6,385 | |
| International player development | 1,750 | 1,750 |
| Underprivileged children | 1,702 | 1,702 |
| Grow the Game | 511 | 511 |
| USA Hockey Hall of Fame | 150 | 150 |
| Safety programs | 100 | 100 |

## K. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY IN NATURE - Continued

| | | |
|---|---|---|
| Referee program | 100 | 100 |
| Paralympic Sled Hockey Team | 50 | |
| Restricted pledges | | 90,000 |
| Blind hockey | | 2,500 |
| | $ 2,619,348 | $ 2,243,463 |

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose.

During the years ended August 31, 2019 and 2018, net assets were released from restrictions by satisfying the following restricted purposes:

| | 2019 | 2018 |
|---|---|---|
| Friends of Women's Hockey | $ 100,000 | $ 245,789 |
| Restricted pledges | 90,000 | 65,000 |
| Starts with a Stick | 74,190 | |
| Patty Kazmaier Memorial | 27,608 | 29,989 |
| Darian Locklear Memorial Fund | 13,000 | |
| Resorce library | 6,000 | 2,121 |
| James Johannson Legacy Fund | 5,000 | |
| Youth hockey | 4,993 | 5,078 |
| Blind hockey | 2,570 | |
| Paralympic Sled Hockey Team | | 55,527 |
| Pass It Forward | | 13,234 |
| Mens National Team | | 5,425 |
| Legacy on Ice | | 2,000 |
| | $ 323,361 | $ 424,163 |

## L. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL IN NATURE

Net assets with donor restrictions - perpetual in nature for the Foundation at August 31, 2019, consist entirely of the Brian Fishman Memorial fund, which is restricted in perpetuity (Note M).

Earnings on these net assets are subject to donor restrictions that stipulate that the original principal of the gift is to be held and invested by the Foundation indefinitely and income from the fund is to be used for support of the Brian Fishman Memorial internship.

L. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL IN NATURE - Continued

At August 31, 2019 and 2018, the underlying assets of the endowment fund are included in the statement of financial position as cash.

M. ENDOWMENT FUNDS

In accordance with generally accepted accounting principles, net assets associated with endowment funds are classified as net assets with donor restrictions - temporary in nature and perpetual in nature are reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation's Board of Directors has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restriction except for explicit donor-stipulations to the contrary. As a result of this interpretation, permanently restricted assets include the original value of the gift and any required accumulations for inflation stipulated by the donor.

The Foundation's net assets with donor restrictions - perpetual in nature consist of an endowment gift received from one donor. The gift instrument does not require that a percentage of the annual income, including realized and unrealized gains, be added to the original gift as a hedge against the effects of inflation. As of August 31, 2019, the original gifts were equal to the fair market value of the net assets with donor restrictions - perpetual in nature.

The remaining portion of the donor-restricted Endowment that is not classified as net assets with donor restrictions - perpetual in nature is classified as net assets with donor restrictions - temporary in nature until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA and the Foundation's investment and spending policies.

Composition of Endowment

These funds are invested in cash and cash equivalents, pursuant to the Foundation's spending objectives of subjecting the fund to low investment risk and providing this program with current income.

## M. ENDOWMENT FUNDS - Continued

Composition of Endowment - continued

The Foundation expends this fund's investment earnings for the restricted purpose in the year of receipt.

| | Temporarily Restricted | Perpetually Restricted | Total |
|---|---|---|---|
| Endowment net assets, August 31, 2017 | $ 5,300 | $ 161,876 | $ 167,176 |
| Contributions | | 4,000 | 4,000 |
| Investment income | 545 | | 545 |
| Endowment net assets, August 31, 2018 | 5,845 | 165,876 | 171,721 |
| Contributions | | 4,000 | 4,000 |
| Investment income | 1,200 | | 1,200 |
| Endowment net assets, August 31, 2019 | $ 7,045 | $ 169,876 | $ 176,921 |

Return Objectives and Risk Parameters

The Foundation has adopted objectives and parameters in its investment policy for the purpose of providing reasonably predictable earnings while preserving the required fair value of the Endowment's net assets with donor restrictions - perpetual in nature.

Spending Policy and Relation to Investment Objectives

To the extent that expenses satisfy donor stipulations, the Foundation considers the long-term expected return on the Endowment to determine appropriate distributions each year. Accordingly, over the long-term, the Foundation expects its spending policy to provide funding for its programs as well as preserve the required fair values of the Endowment's net assets with donor restrictions - perpetual in nature.

Strategies Employed for Achieving Objectives

The Foundation employs a total-return strategy to achieve its investment objectives, which utilizes current yield (interest). These assets are maintained in cash and cash equivalents to maintain an acceptable level of prudent risk.

## N. AFFILIATED ORGANIZATIONS

The United States Olympic and Paralympic Committee (USOPC) provides grants to the Corporation for sports development, international competition, and team preparation. Total grants from the USOPC for the years ended August 31, 2019 and 2018, consist of the following project categories:

| | 2019 | 2018 |
|---|---|---|
| Performance partnership agreement | $ 1,090,000 | $ 1,595,000 |
| Paralympic high performance funding | 384,930 | 380,745 |
| International relations and other grants | 1,350 | 5,400 |
| | $ 1,476,280 | $ 1,981,145 |

In addition, the USOPC provided VIK airfare support, which is reported as corporate sponsorship in the accompanying statement of activities, during the years ended August 31, 2019 and 2018. During the year ended August 31, 2018, the USOPC paid the Corporation $200,000 as a management fee to conduct events. This amount is included in tournaments and exhibitions in the accompanying statement of activities.

During the years ended August 31, 2019 and 2018, the International Ice Hockey Federation (IIHF) provided support to the Corporation of $1,182,798 and $2,276,000 respectively. This amount is included in tournaments and exhibitions in the accompanying statement of activities.

The Foundation leases an office building to USA Hockey, Inc. for $30,625 per month, pursuant to the second amendment to a sublease agreement that expires December 31, 2023. Effective January 1, 2021, and every two years of the sublease thereafter, rent then in effect shall be adjusted, if necessary, to an amount equal to the current market rental rate pursuant to the lease amendment. This sublease will renew automatically for an additional five-year term unless notice is given at least thirty days prior to the expiration of the term.

Rental income is shown net of rental expenses of $1,054,365 and $1,046,323 for the years ended August 31, 2019 and 2018, respectively.

## N. AFFILIATED ORGANIZATIONS - Continued

During the years ended August 31, 2019 and 2018, the Foundation provided grants to USA Hockey, Inc. in the amount of $8,588,502 and $8,393,755, respectively. At August 31, 2019 and 2018, USA Hockey Foundation owed $3,939,143 and $3,908,783, respectively, to USA Hockey, Inc. for grants.

USA Hockey, Inc. provides certain administrative and accounting services to the Foundation for an annual fee of $1,800. At August 31, 2019 and 2018, USA Hockey Foundation owed $1,255,844 and $1,291,433 to USA Hockey, Inc., respectively, for other administrative costs.

During the year ended August 31, 2015, the Foundation was awarded an annual grant from the NHL in the amount of $1,200,000, for a period of ten years.

Plymouth AC leases office and training space to USA Hockey, Inc. for $29,167 base rent per month, pursuant to a lease agreement that ends March 31, 2025. Plymouth AC also leases restaurant and concession space to Beck Road for $18,283 per month, pursuant to a lease agreement beginning March 31, 2015 and ending March 31, 2025. Rental income is shown net of rental expenses in the amount of $1,054,365 and $1,046,323 for the years ended August 31, 2019 and 2018, respectively.

At August 31, 2019 and 2018, Plymouth AC owed $591,048 and $581,815 to USA Hockey, Inc., respectively, for administrative costs. At August 31, 2019 and 2018, Beck Road owed $11,802 and $9,378 to USA Hockey, Inc., respectively, for administrative costs.

Plymouth AC provides ice time to USA Hockey, Inc. for various events. For the year ended August 31, 2019, Plymouth AC billed USA Hockey, Inc. $196,445 for services. At August 31, 2019 and 2018, USA Hockey, Inc. owed Plymouth AC $22,309 and $22,751, respectively, for services. Beck Road provides food services to USA Hockey, Inc. for various events. For the year ended August 31, 2019, Beck Road billed USA Hockey, Inc. $13,547 for services. At August 31, 2019 and 2018, USA Hockey, Inc. owed Beck Road $13,547 and $25,140, respectively, for services.

## O. NATIONAL HOCKEY LEAGUE

The National Hockey League support is based on past performance and specific objectives. A significant portion of their funding is intended to provide budget relief for

O. NATIONAL HOCKEY LEAGUE - Continued

existing costs associated with the national team development program and junior officiating development program. The balance is to be directed to offset costs associated with new initiatives, specifically the American Development Model, Women's Hockey, and membership development, plus support for the United States Hockey League and College Hockey, Inc.

P. INSURANCE ACTIVITY

HARP provides occurrence-based deductible reimbursement general liability coverage to USA Hockey, Inc. and its Affiliates. For the policy periods during 2019 and 2018, policy limits were $100,000 per occurrence with an annual aggregate of $1,000,000. This policy covers indemnity only and no loss adjustment expenses.

In 2019 and 2018, HARP also provides legal expense reimbursement coverage to USA Hockey, Inc. and its Affiliates. The limits under this policy are $250,000 per occurrence, with a $250,000 annual aggregate.

The deductible reimbursement general liability coverage covers certified terrorism losses as defined under the Terrorism Risk Insurance Act of 2002 (TRIA) and the subsequent 2007 and 2015 extensions of TRIA. TRIA provides for a system of shared public and private compensation for insured losses resulting from certified acts of terrorism. TRIA protection is only triggered if there is a certified act of terrorism and losses reach an industry insured loss trigger ($180 million in 2019 and $160 million in 2018). The coverage provided by HARP is eligible under TRIA for co-insurance protection (81% in 2019 and 82% in 2018) provided by the U.S. Treasury subject to a deductible equal to 20% of the company's prior year direct earned premiums. HARP retains both the deductible and its remaining share of the certified terrorism losses.

USA Hockey, Inc. maintains an arrangement with K&K Insurance Group for claims administration and incurs all costs. HARP does not record any expenses or liabilities related to claims administration. HARP has made a loss escrow account deposit of $9,709 and $126,849 as of August 31, 2019 and 2018, respectively, which is to be used for payment of losses.

Activity in the liability for unpaid losses, for the years ended August 31, 2019 and 2018, is summarized as follows:

P. INSURANCE ACTIVITY - Continued

| | 2019 | 2018 |
|---|---|---|
| Balance at the beginning of the year | $ 1,608,417 | $ 1,443,828 |
| Incurred related to: | | |
| Current year | 416,280 | 383,317 |
| Prior year | 497,738 | (146,152) |
| Total incurred | 914,018 | 237,165 |
| Paid related to: | | |
| Current year | (5,249) | (2,901) |
| Prior year | (273,813) | (69,675) |
| Total paid | (279,062) | (72,576) |
| Balance at the end of the year | $ 2,243,373 | $ 1,608,417 |

The estimates for incurred losses on insured events in prior years increased by $497,738 in 2019, which was a result of unfavorable loss development mainly related to the 2004 - 2007 deductible reimbursement general liability policy years.

The estimates for incurred losses on insured events in prior years decreased by $146,152 in 2018, which was a result of favorable loss development mainly related to the 2015 and 2016 deductible reimbursement general liability policy years.

The Company incorporates a variety of actuarial methods and judgments in its reserving process. These key inputs impact the potential variability in the estimate of the reserve for losses and loss expenses. HARP's liability for unpaid losses consider and reflect, in part, deviations resulting from differences between expected loss and actual loss reporting as well as judgments relating to the weights applied to the reserve levels indicated by the actuarial methods. Expected loss reporting patterns are based upon internal historical data including the Parents historic loss experience and industry data. HARP measures claim frequency using claim counts and counts an insurance claim when either an indemnity amount has been paid, or at any period end, the Company recorded a case reserve.

Since inception, HARP has only experienced losses on the deductible reimbursement general liability coverage. The following tables show incurred and paid claims development, by accident year. Incurred and paid claims for the year ended August 31, 2109 is audited. All prior years are considered required supplementary information and, therefore, are unaudited.

P. INSURANCE ACTIVITY - Continued

Deductible Reimbursement General Liability:

| Accident Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Claims | Cumulative Number of Reported Claims |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Incurred Claims For the Years Ended August 31, (Unaudited) | | | | | | | | | | As of August 31, 2019 | |
| 2010 | $ 323,013 | $ 264,121 | $ 229,360 | $ 209,178 | $ 165,843 | $ 114,610 | $ 93,529 | $ 81,445 | $ 81,445 | $ 81,445 | $ | 34 |
| 2011 | | 428,566 | 368,614 | 421,039 | 322,282 | 272,785 | 275,626 | 260,581 | 237,305 | 237,305 | | 46 |
| 2012 | | | 443,382 | 400,186 | 467,473 | 429,508 | 497,953 | 483,066 | 482,599 | 444,781 | | 40 |
| 2013 | | | | 376,168 | 262,035 | 188,182 | 150,993 | 465,419 | 134,429 | 129,282 | 20,836 | 32 |
| 2014 | | | | | 316,816 | 256,855 | 156,846 | 134,966 | 132,483 | 127,190 | 47,851 | 33 |
| 2015 | | | | | | 589,232 | 475,604 | 596,256 | 506,194 | 503,725 | 77,136 | 28 |
| 2016 | | | | | | | 431,861 | 318,361 | 333,928 | 364,778 | 51,915 | 34 |
| 2017 | | | | | | | | 245,443 | 325,852 | 408,897 | 177,081 | 37 |
| 2018 | | | | | | | | | 383,317 | 502,887 | 257,573 | 33 |
| 2019 | | | | | | | | | | 416,280 | 357,098 | 20 |
| | | | | | | | | | Total | 3,216,570 | | |

Cumulative Paid Claims
For the Years Ended August 31,
(Unaudited)

| Accident Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2010 | 19,277 | 28,445 | 28,445 | 46,445 | 81,445 | 81,445 | 81,445 | 81,445 | 81,445 | 81,445 |
| 2011 | | 37,123 | 36,305 | 134,805 | 209,805 | 209,805 | 217,305 | 237,305 | 237,305 | 237,305 |
| 2012 | | | 9,802 | 26,028 | 170,688 | 170,688 | 442,281 | 444,781 | 444,781 | 444,781 |
| 2013 | | | | 8,440 | 20,846 | 33,346 | 33,346 | 33,346 | 33,346 | 33,346 |
| 2014 | | | | | 14,339 | 14,339 | 14,339 | 14,339 | 14,339 | 29,339 |
| 2015 | | | | | | 10,680 | 100,089 | 170,089 | 200,089 | 224,089 |
| 2016 | | | | | | | 17,254 | 31,363 | 36,863 | 36,863 |
| 2017 | | | | | | | | 9,041 | 43,216 | 166,716 |
| 2018 | | | | | | | | | 2,901 | 114,214 |
| 2019 | | | | | | | | | | 5,249 |
| | | | | | | | | | Total | 1,373,347 |
| | | | | | | All outstanding liabilities before 2010 | | | | 400,150 |
| | | | | | | | | Liabilities for claims | | $ 2,243,373 |

## P. INSURANCE ACTIVITY - Continued

The average annual percentage payout of incurred claims by age is calculated using a weighted average of the paid losses and loss adjustment expenses to incurred losses and loss adjustment expenses for each age. The following table presents the average annual percentage payout of incurred claims, by age, related to the deductible reimbursement general liability coverage as of August 31, 2019:

(Unaudited)

| 1st Year | 2nd Year | 3rd Year | 4th Year | 5th Year |
|---|---|---|---|---|
| 7.0% | 8.5% | 10.5% | 10.7% | 18.1% |

| 6th Year | 7th Year | 8th Year | 9th Year | 10th Year |
|---|---|---|---|---|
| 3.1% | 2.1% | 0.0% | 0.0% | 0.0% |

## Q. EVENT PARTICIPATION

Each year, the Corporation participates in or hosts events, and these events vary year to year. In addition to other events, during the year ended August 31, 2018, the Corporation hosted the U20 Men's World Championship event and realized revenue of approximately $7,700,000. Some events do not occur each year; therefore, revenue may vary significantly from year to year.

## R. RELATED PARTY TRANSACTIONS

HARP has an agreement with Aon Insurance Managers (USA) Inc. (Aon), whereby Aon provides accounting, administrative, and regulatory services. Management fees are expensed as incurred and have been recorded as general and administrative expenses in the statement of activities. These fees amounted to $54,140 each of the years ended August 31, 2019 and 2018. A director and officer of HARP is also an employee of Aon.

## S. RETIREMENT PLAN

The Corporation maintains a defined contribution, Section 403(b), retirement plan for its employees. To be eligible, an employee must be 21 years of age and have six months of continuous employment. Employees are able to make pre-tax contributions to the plan up to the dollar and percentage limits set by law. The Corporation makes matching contributions of up to 4% of the eligible compensation of each employee who elects to defer wages.

S. RETIREMENT PLAN - Continued

The Corporation also makes semi-annual discretionary contributions for all eligible employees. Foundation and its subsidiaries' employees are also eligible to participate in this plan.

The Corporation also has a Section 457 deferred compensation plan that covers certain key employees. Eligible employees are allowed to make elective deferrals up to the maximum amount permitted by law. The Corporation does not make any matching contributions to this plan.

Total pension expense for the years ended August 31, 2019 and 2018, amounted to $686,998 and $791,434, respectively.

T. BUILDING GROUND LEASE

During 1997, the Foundation constructed an office building on land owned by the Colorado Springs World Arena. The Foundation has a ground lease with the Colorado Springs World Arena for 99 years (commencing in 1997) at a lease rate of $1 per year. This amount has been paid in full.

U. COMMITMENTS AND CONTINGENT LIABILITIES

The Corporation has three operating lease agreements for vehicles and a lease for warehouse space in Colorado Springs. The vehicle agreements expire in February 2019, November 2020, and June 2021 and require payments of $615, $496, and $623 per month. The warehouse agreement was renewed in August 2018, to include an expanded area. The initial monthly rent is $6,722 and includes annual rent increases. The lease expires in August 2023.

The Corporation also leases two postage meters. One lease requires monthly payments of $349 through April 2019. The other lease required quarterly payments of $349 through September 2017. The lease has expired, and rent continues on a month to month basis.

## U. COMMITMENTS AND CONTINGENT LIABILITIES - Continued

Future minimum payments on these leases for each of the years ending August 31 are as follows:

| | | |
|---|---|---|
| 2020 | $ | 97,371 |
| 2021 | | 99,419 |
| 2022 | | 90,813 |
| 2023 | | 94,415 |

The Corporation's total rent expense amounted to $99,969 and $65,849, respectively, for the years ended August 31, 2019 and 2018.

The Corporation has multi-year employment contracts with multiple key employees. In the event that an employee is terminated for cause (as defined in the contract), the Corporation is not obligated to pay any severance compensation.

Occasionally, in normal the conduct of business, the Corporation may be named defendant in a lawsuit or other form of legal action. In the opinion of management, any pending or threatened claims against the Corporation, as of August 31, 2019, are either without merit or will not exceed insurance limits.