

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

**Financial Statements and  
Supplemental Schedules**

**For the Year Ended August 31, 2011**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
USA Hockey, Inc.,  
USA Hockey Foundation,  
Hockey and Rink Protection, Inc.

We have audited the accompanying consolidating statement of financial position of USA Hockey, Inc., USA Hockey Foundation and Hockey and Rink Protection, Inc. as of August 31, 2011, and the related consolidating statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Hockey and Rink Protection, Inc., a wholly owned subsidiary. 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. The prior-year summarized comparative information has been derived from the Corporation's, Foundation's and HARP's August 31, 2010 financial statements and, in our report dated October 22, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the consolidating financial statements referred to above present fairly, in all material respects, the consolidated financial position of USA Hockey, Inc., USA Hockey Foundation and Hockey and Rink Protection, Inc. as of August 31, 2011, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the consolidating financial statements taken as a whole. The supplemental schedules of program services and of supporting services for the year ended August 31, 2011 are presented for purposes of additional analysis and are not a required part of the consolidating financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to Hockey and Rink Protection, Inc., is based on the report of other auditors, such information is fairly stated in all material respects in relation to the consolidating financial statements taken as a whole.

*Wang & Goodwin, LLP*  
November 7, 2011

USA HOCKEY, INC.  
USA HOCKEY FOUNDATION  
HOCKEY AND RINK PROTECTION, INC.  
Consolidating Statement of Financial Position  
August 31, 2011  
(With Consolidated Totals for 2010)

	USA Hockey, Inc.	USA Hockey Foundation	Hockey and Rink Protection, Inc.	Eliminating Entries	Consolidated Totals 2011	Consolidated Totals 2010
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 4,228,219	\$ 882,361	\$ 1,844,875	\$	\$ 6,955,455	\$ 7,218,554
Restricted cash	982,580				982,580	
Short-term investments (Note B)			1,442,087		1,442,087	2,540,904
Accounts receivable, net	805,873	1,670,726			2,476,599	2,051,476
Short-term pledges receivable (Note E)		202,965			202,965	172,500
Due from USA Hockey Foundation	91,140			(91,140)		
Grants receivable from USA Hockey Foundation	2,094,659			(2,094,659)		
Prepaid expenses	845,973	2,869	165,097		1,013,939	1,204,666
Total current assets	9,048,444	2,758,921	3,452,059	(2,185,799)	13,073,625	13,188,100
<b>LONG-TERM INVESTMENTS (Note B)</b>		21,175,825			21,175,825	13,936,937
<b>PROPERTY AND EQUIPMENT -</b>						
at cost (Note D)	4,867,043	3,132,981			8,000,024	7,512,819
Less accumulated depreciation	(2,976,939)	(898,865)			(3,875,804)	(3,706,089)
Property and equipment, net	1,890,104	2,234,116			4,124,220	3,806,730
<b>OTHER ASSETS (Note E):</b>						
Artwork		400,000			400,000	400,000
Other assets			4,320		4,320	4,188
Investment in HARP (Note H)				(750,000)		
Long-term pledges receivable, net	750,000	79,936			79,936	164,838
Bond issuance costs, net of amortization of \$74,716 and \$69,679		51,216			51,216	56,253
Total other assets	750,000	531,152	4,320	(750,000)	535,472	625,279
<b>TOTAL ASSETS</b>	<b>\$ 11,688,548</b>	<b>\$ 26,700,014</b>	<b>\$ 3,456,379</b>	<b>\$ (2,935,799)</b>	<b>\$ 38,909,142</b>	<b>\$ 31,557,046</b>

<u>LIABILITIES AND NET ASSETS</u>						
<u>CURRENT LIABILITIES:</u>						
Accounts payable and accrued liabilities	\$ 1,592,446	\$	6,571	\$	1,224,149	\$
Accrued payroll and related benefits	451,264		8,122			\$ 2,823,266
Legal settlement advance	260,000					\$ 3,221,068
Deferred revenue (Note F)	8,897,345					459,386
Due to USA Hockey, Inc.			91,140			260,000
Grants payable to USA Hockey, Inc.			2,094,659		(91,140)	8,897,345
Current portion of bonds payable (Note G)			140,000		(2,094,659)	9,059,138
Total current liabilities	11,201,055		2,340,592			135,000
<u>LONG-TERM LIABILITIES:</u>						
Bonds payable (Note G)			1,745,000		(2,185,799)	12,813,339
Total liabilities	11,201,055		4,085,592			1,885,000
<u>NET ASSETS:</u>						
Unrestricted	448,832		15,433,386		(2,185,799)	14,698,339
Unrestricted - board designated (Note I)			5,870,523			17,364,448
Temporarily restricted (Note J)	38,661		1,167,637		(750,000)	15,658,031
Permanently restricted (Note K)			142,876			5,870,523
Total net assets	487,493		22,614,422			1,206,298
TOTAL LIABILITIES AND NET ASSETS	\$ 11,688,548	\$	26,700,014	\$	3,456,379	\$ 31,557,046

See Notes to Consolidating Financial Statements

USA HOCKEY, INC.  
USA HOCKEY FOUNDATION  
HOCKEY AND RINK PROTECTION, INC.  
Consolidating Statement of Activities and Changes in Net Assets  
For the Year Ended August 31, 2011  
(With Consolidated Totals for 2010)

	USA Hockey, Inc.	USA Hockey Foundation	Hockey and Rink Protection, Inc.	Eliminating Entries	Consolidated Totals 2011	Consolidated Totals 2010
<b>REVENUE:</b>						
Membership registrations and dues	\$ 19,601,022	\$	\$		\$ 19,601,022	\$ 18,977,079
Tournaments and exhibitions	2,598,531	6,101,523			8,700,054	2,799,196
National Hockey League (Note M)		7,429,662			7,429,662	6,975,604
Corporate sponsorship	2,333,379		170,375		2,333,379	2,414,590
Investment income (Note C)	15,863	1,675,311			1,861,549	1,058,306
USOC grants (Note L)	1,495,319				1,495,319	1,643,500
Contributions	75	443,252			443,327	450,222
Other income	273,979	149,364			423,343	346,696
Advertising and merchandise sales, net of costs	392,048				392,048	601,938
USA Hockey Foundation grants	7,908,593			(7,908,593)		18,410
Lester Patrick Award			920,000	(920,000)		
Insurance premiums						
Rental income, net of rental expenses (Note L)		267,438		(267,438)		
Satisfied program restrictions	2,000	255,542			257,542	838,303
Total unrestricted revenue	34,620,809	16,322,092	1,090,375	(9,096,031)	42,937,245	36,123,844
<b>EXPENSES:</b>						
Program services:						
Membership services	8,945,564		387,189	(920,000)	8,412,753	7,539,956
International programs	5,349,396				5,349,396	6,344,239
National team development	3,308,860				3,308,860	3,041,535
Player development	1,689,286	8,472,823		(7,908,593)	2,253,516	1,868,335
Officials	1,628,628				1,628,628	1,775,882
Adult hockey	1,610,313				1,610,313	1,227,956
Coaching	1,591,284				1,591,284	1,299,227
American development model	1,515,703				1,515,703	1,604,176
Membership development	1,212,949				1,212,949	946,356
Annual Congress/						
Mid-Winter Meetings	791,301				791,301	737,765
Internet project	586,426				586,426	560,356
Youth program	517,604				517,604	547,645

Inline hockey	403,422				403,422	586,708
Junior program	390,581				390,581	437,981
Patty Kazmaier Memorial Award		32,982			32,982	21,091
Lester Patrick Award		7,882			7,882	17,315
Alumni program		40			40	6,152
B. Burke internship						512
Total program services	29,541,317	8,513,727	387,189	(8,828,593)	29,613,640	28,563,187
Supporting services:						
General and administrative	4,553,802	117,890		(267,438)	4,404,254	4,384,092
Marketing and fundraising	892,245	450,166			1,342,411	1,555,626
Total supporting services	5,446,047	568,056		(267,438)	5,746,665	5,939,718
Total unrestricted expenses	34,987,364	9,081,783	387,189	(9,096,031)	35,360,305	34,502,905
CHANGE IN UNRESTRICTED NET ASSETS	(366,555)	7,240,309	703,186		7,576,940	1,620,939
TEMPORARILY RESTRICTED NET ASSETS (Note J):						
Patty Kazmaier Memorial Contributions		71,861			71,861	21,800
Lester Patrick Award	2,000	324,438			326,438	222,714
Investment income		5,000			5,000	
Less satisfied program restrictions		741			741	439
	(2,000)	(255,542)			(257,542)	(838,303)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		146,498			146,498	(593,350)
TRANSFER OF NET ASSETS						(138,876)
PERMANENTLY RESTRICTED NET ASSETS (Note K):						
Contributions		2,000			2,000	2,000
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		2,000			2,000	2,000
TRANSFER OF NET ASSETS						138,876
CHANGE IN NET ASSETS	(366,555)	7,388,807	703,186		7,725,438	1,029,589
NET ASSETS, beginning of year	854,048	15,225,615	1,529,044	(750,000)	16,858,707	15,829,118
NET ASSETS, end of year	\$ 487,493	\$ 22,614,422	\$ 2,232,230	\$ (750,000)	\$ 24,584,145	\$ 16,858,707

See Notes to Consolidating Financial Statements



USA HOCKEY, INC.  
USA HOCKEY FOUNDATION  
HOCKEY AND RINK PROTECTION, INC.  
Consolidating Statement of Cash Flows  
For the Year Ended August 31, 2011  
(With Consolidated Totals for 2010)

	USA Hockey, Inc.	USA Hockey Foundation	Hockey and Rink Protection, Inc.	Consolidated Totals 2011	Consolidated Totals 2010
\$ (366,555)	\$ 7,388,807	\$	703,186	\$ 7,725,438	\$ 1,029,589
432,064	67,479 (194,330) (1,096,191)		(3,083) (134,168)	499,543 (197,413) (1,230,359)	492,252 (159,815) (490,819)
(134,877) (982,580)	(290,246)			(425,123) (982,580) (30,465)	516,399 (2,500)
(73,149)	(30,465) 73,149				
(595,961) 328,921	595,961 1,540 84,902				
(447,227)	(27,381)		(139,735)	190,726 84,902 (132)	285,847 223,037 160,610
			76,806	(397,802)	(786,813)
60,218 260,000 (161,793)	1,035			61,253 260,000 (161,793)	54,169 905,338
(1,314,384)	(814,547)		(200,312)	(2,329,243)	1,197,705
(1,680,939)	6,574,260		502,874	5,396,195	2,227,294

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets  
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:  
Depreciation and amortization  
Realized gains on investments  
Unrealized gains on investments  
Decrease (increase) in assets:  
Accounts receivable  
Restricted cash  
Short-term pledges receivable  
Due from USA Hockey Foundation  
Grants receivable from USA Hockey Foundation  
Prepaid expenses  
Long-term pledges receivable  
Other assets  
Increase (decrease) in liabilities:  
Accounts payable  
Accrued payroll and related benefits  
Legal settlement advance  
Deferred revenue  
Total adjustments  
Net cash provided (used) by operating activities

CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property and equipment	(811,995)		(811,995)	(232,031)
Purchase of available for sale investments		(591,695)	(591,695)	193,018
Proceeds from available for sale investments		702,763	702,763	(644,354)
Short-term investments, net	1,125,000		1,125,000	(122,396)
Long-term investments, net		(5,948,367)	(5,948,367)	310,056
Net cash provided (used) by investing activities	313,005	111,068	(5,524,294)	(495,707)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on bonds payable			(135,000)	(130,000)
Net cash used by financing activities			(135,000)	(130,000)
NET INCREASE (DECREASE) IN CASH	(1,367,934)	613,942	(263,099)	1,601,587
CASH AND CASH EQUIVALENTS, beginning of year	5,596,153	1,230,933	7,218,554	5,616,967
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,228,219</u>	<u>\$ 1,844,875</u>	<u>\$ 6,955,455</u>	<u>\$ 7,218,554</u>

See Notes to Consolidating Financial Statements

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

Notes to Consolidating Financial Statements  
For the Year Ended August 31, 2011

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 Hockey and Rink Protection, Inc. in order to conform to the requirements of FASB ASC 958. The Statement requires consolidation when one nonprofit has a financial interest and controls the appointment of a majority of the board of directors of another nonprofit entity.

Transactions between the three 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. Since 1994, the Corporation has also assumed responsibility for the conduct and administration of inline 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.

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.

## Notes to Consolidating Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 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 Financial Accounting Standards Board (FASB) issued FASB ASC 740, "Income Taxes", which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Corporation's, Foundation's and HARP's income tax returns.

The Corporation's, Foundation's and HARP's income tax filings are subject to audit by various taxing authorities. The Corporation's, Foundation's and HARP's open audit periods are 2007 - 2010. The Corporation and Foundation believe that their operations have been conducted in accordance with their tax-exempt status.

#### 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 June 30, 2012.

#### Depreciation and Amortization

Furniture 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. Depreciation is recorded using the straight-line method over estimated useful lives of three to ten years for the Corporation's and Foundation's furniture and equipment and fifty years for the Foundation's building. Depreciation and amortization expense amounted to \$499,543 and \$492,252 for the years ended August 31, 2011 and 2010, respectively.

## Notes to Consolidating Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Depreciation and Amortization - continued

Amortization expense is recorded for the Foundation's bond issuance costs using the straight-line method over the repayment period of the bonds of twenty-five years.

#### 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. In the event of a bank failure, they might only be able to recover the amounts insured.

#### 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.

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, 2011, 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.

#### Supplemental Cash Flow Disclosure

Cash flows from operating activities reflect interest paid by the Foundation of \$9,431 and \$14,472 for the years ended August 31, 2011 and 2010, respectively.

## Notes to Consolidating Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Restricted Cash

The Corporation has segregated two restricted cash accounts. One account is restricted for collateral for letters of credit required by the Corporation's insurance carrier as discussed in Note N. The second account holds the proceeds of a legal settlement further discussed in Note R.

#### 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 recorded an allowance for doubtful accounts of \$5,935 and \$2,782 for the years ended August 31, 2011 and 2010, respectively.

#### Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as satisfied program restrictions.

#### Revenue Recognition

HARP insurance premiums are earned on a pro rata basis over the 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.

#### 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 (IBNR) 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

## Notes to Consolidating Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Reserve for Unpaid Losses - continued

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.

#### 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

Certain reclassifications have been made to the prior-year amounts in order to conform to the current year format.

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, 2010, from which the summarized information was derived.

#### Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 7, 2011, the date that the financial statements were available to be issued.

## Notes to Consolidating Financial Statements

### B. 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). 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.

The following tables present assets that are measured at fair value on a recurring basis at August 31, 2011 and 2010:

#### Assets at Fair Value as of August 31, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ 1,447,198	\$	\$	\$ 1,447,198
Mutual funds	1,442,087			1,442,087
Equities	13,809,669			13,809,669
Fixed income	4,974,821			4,974,821
USOF pooled fund			944,137	944,137
	<u>\$21,673,775</u>	<u>\$</u>	<u>\$ 944,137</u>	<u>\$ 22,617,912</u>



# Notes to Consolidating Financial Statements

## B. FAIR VALUE MEASUREMENTS - Continued

### Assets at Fair Value as of August 31, 2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ 345,775	\$	\$	\$ 345,775
Certificates of deposit	1,125,000			1,125,000
Mutual funds	1,415,904			1,415,904
Equities	8,461,722			8,461,722
Fixed income	4,302,559			4,302,559
USOF pooled fund			826,881	826,881
	<u>\$15,650,960</u>	<u>\$</u>	<u>\$ 826,881</u>	<u>\$ 16,477,841</u>

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended August 31, 2011:

Beginning balance	\$ 826,881
Interest & dividends	14,866
Net realized and unrealized gains included in the statement of activities	<u>102,390</u>
Ending balance	<u>\$ 944,137</u>

Gain included in the statement of activities attributable to the change in unrealized gains relating to assets still held at August 31, 2011	<u>\$ 72,203</u>
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Short-term investments are recorded at quoted market values and consist of the following at August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Mutual funds	\$ 1,442,087	\$ 1,415,904
Certificates of deposit	<u>1,125,000</u>	<u>1,125,000</u>
Total market value	<u>\$ 1,442,087</u>	<u>\$ 2,540,904</u>

Long-term investments are recorded at quoted market values and consist of the following at August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Money market accounts	\$ 1,447,198	\$ 345,775
Equities	13,809,669	8,461,722
Fixed income	4,974,821	4,302,559
USOF pooled fund	<u>944,137</u>	<u>826,881</u>
Total market value	<u>\$ 21,175,825</u>	<u>\$ 13,936,937</u>

## Notes to Consolidating Financial Statements

### C. INVESTMENT INCOME

Investment income consists of the following for the years ended August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Realized gains on investments	\$ 197,413	\$ 159,815
Interest and dividends	433,777	407,672
Unrealized gains on investments	<u>1,230,359</u>	<u>490,819</u>
	<u>\$ 1,861,549</u>	<u>\$ 1,058,306</u>

### D. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Building	\$ 3,108,127	\$ 3,108,127
Office equipment and furniture	2,508,371	2,486,272
Website development costs	1,179,693	1,179,693
Leasehold improvements	512,036	463,536
Coaching module	416,606	
Program equipment	275,191	275,191
Less accumulated depreciation	<u>(3,875,804)</u>	<u>(3,706,089)</u>
	<u>\$ 4,124,220</u>	<u>\$ 3,806,730</u>

### E. OTHER ASSETS

Included in other assets are bond issuance costs incurred by the Foundation of \$125,932 less amortization of \$74,716 and \$69,679 at August 31, 2011 and 2010, respectively.

During the year ended August 31, 2007 the Foundation received a donation of two paintings with an appraised value of \$400,000.

As of August 31, 2011, the Foundation had pledges receivable of \$287,965, representing restricted promises to give made during the current year. The pledges will be received by the Foundation during the next two years and have been discounted using an interest rate of 2.00%.

Management considers these pledges to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

# Notes to Consolidating Financial Statements

## E. OTHER ASSETS - Continued

Total pledges receivable at August 31, 2011 were as follows:

Current portion of pledges receivable	\$ 202,965
Pledges receivable in future years	\$ 85,000
Less discount to net present value	(5,064)
Long-term pledges receivable	\$ 79,936

## F. DEFERRED REVENUE

Deferred revenue consists of the following at August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Registrations and tournament fees	\$ 8,087,600	\$ 8,280,078
Seminar and clinic fees	310,845	465,125
USOC grant	260,000	
Sponsor payment	208,750	38,750
Transfer card fees	16,650	20,385
Youth national championships	7,500	4,800
Other	6,000	
Under 20 World Championships		250,000
	<u>\$ 8,897,345</u>	<u>\$ 9,059,138</u>

## G. BONDS PAYABLE

On November 1, 1996, the Foundation entered into a loan agreement to obtain financing for construction of the 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 the 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, 2018 in an amount not to exceed \$1,885,697 (bond principal of \$1,885,000 plus \$697 for payment of up to 45 days accrued interest) insures repayment of the bonds. The letter of credit may be extended annually so that it is valid a minimum period of ten years as long as all conditions are met.

## Notes to Consolidating Financial Statements

### G. BONDS PAYABLE - Continued

The letter of credit is secured by all building and construction materials, equipment or other personal property of any nature used in the construction of the improvements. The Foundation pledges a first lien on and security interest in the proceeds of the bonds and interest thereon. In addition, the Foundation covenants that, without the prior written consent of JP Morgan Chase, the tangible net worth of the Foundation will not be less than \$3,000,000 at the end of each fiscal year; the unrestricted cash and cash equivalents, including investments, will not be less than \$6,000,000; it will not create, assume or permit to exist any lien or charge of any kind upon any of its property subject to the security agreement. The annual fee for the letter of credit is .97 percent of the stated amount.

Principal payments on the bonds are due on each November 1 through the year 2021. The principal payment due on November 1, 2011 is \$140,000. The bonds currently bear interest on an adjustable rate of interest in one of several modes (weekly, one month, three month, six month, one year and five years) or at a fixed interest rate determined by the re-marketing agent (JP Morgan Chase, Columbus, NA, Columbus, Ohio) on the interest rate determination date. On August 31, 2011, the interest rate on the bonds was 0.3%.

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

2012	\$ 140,000
2013	150,000
2014	155,000
2015	165,000
2016	170,000
Future years	<u>1,105,000</u>
	<u>\$ 1,885,000</u>

### H. MEMBER EQUITY

In accordance with the Vermont Department of Banking, Insurance, Securities, and Health Care Administration (the Department), HARP must maintain a minimum capital and surplus of \$250,000. For the period from September 1, 2004 through August 31, 2006, USA Hockey, Inc. contributed \$750,000 in the form of cash.

Prior to dividends being declared and paid, the Company must receive written approval from the Department.

# Notes to Consolidating Financial Statements

## I. BOARD DESIGNATED NET ASSETS

During the year ended August 31, 2011, the Board of Directors of the Foundation had designated \$6,101,523 of unrestricted net assets for future international events. During the year ended August 31, 2011, the board released \$231,000 to support international events, leaving a balance of \$5,870,523 to be spent in future years.

## J. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the Corporation and Foundation at August 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
National Team development	\$ 339,605	\$ 336,029
Patty Kazmaier Memorial	315,797	276,919
Youth hockey	115,354	115,050
B. Burke Internship	149,165	82,817
Walter Bush fund	90,065	90,065
Resource library	50,320	55,248
Wounded Warriors	40,575	
Treadmill	38,661	38,661
Disabled Youth program	25,000	
Women's Hockey	23,000	23,000
Paralympic Sled Hockey Team	10,000	
Men's National Team	4,000	
International player development	1,750	1,750
Underprivileged children	1,702	
Brian Fishman Memorial	704	358
Growth of the game	350	350
USA Hockey Hall of Fame	150	150
Safety programs	100	100
Goalie mentoring		39,303
	<u>\$ 1,206,298</u>	<u>\$ 1,059,800</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the year ended August 31, 2011 and 2010, net assets were released from restrictions by satisfying the following restricted purpose:

	<u>2011</u>	<u>2010</u>
Women's Hockey	\$ 100,000	\$
Paralympic Sled Hockey Team	51,000	118,500
Goalie mentoring	41,395	268,211
Patty Kazmaier Memorial	32,983	21,092
Wounded Warriors	15,000	
Hockey sleds	2,000	20,500

# Notes to Consolidating Financial Statements

## J. TEMPORARILY RESTRICTED NET ASSETS - Continued

Youth hockey	5,196	10,000
Lester Patrick Award Luncheon	5,000	
Resource Library	4,928	
B. Burke Internship	40	
Artwork		400,000
	<u>\$ 257,542</u>	<u>\$ 838,303</u>

## K. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets for the Foundation at August 31, 2011 consist of Brian Fishman Memorial funds in the amount of \$142,876.

During the year ended August 31, 2010, the Foundation transferred the Brian Fishman Memorial funds to permanently restricted net assets from temporarily restricted net assets to honor the wishes of the donors.

## L. AFFILIATED ORGANIZATIONS

The United States Olympic Committee (USOC) provides grants to the Corporation for sports development, international competition, and team preparation. Total grants from the USOC for the years ended August 31, 2011 and 2010 consist of the following project categories:

	<u>2011</u>	<u>2010</u>
Performance partnership agreement	\$ 1,159,000	\$ 1,321,000
Paralympic high performance funding	336,319	320,000
International relations grant		2,500
	<u>\$ 1,495,319</u>	<u>\$ 1,643,500</u>

During the years ended August 31, 2011 and 2010, the International Ice Hockey Federation (IIHF) provided support to the Corporation of \$1,352,740 and \$1,662,218 respectively. This amount is included in tournaments and exhibitions in the accompanying statement of activities.

The USA Hockey Foundation leases an office building to the Corporation for \$30,625 per month, pursuant to a lease agreement that expires December 31, 2012. During each of the years ended August 31, 2011 and 2010, the Foundation earned \$367,500 of rental income from this lease. Rental income is shown net of rental expenses in the amount of \$100,062 and \$106,819 for the years ended August 31, 2011 and 2010, respectively.

## Notes to Consolidating Financial Statements

### L. AFFILIATED ORGANIZATIONS - Continued

During the years ended August 31, 2011 and 2010, the Foundation provided grants to the Corporation in the amount of \$7,908,593 and \$6,583,813, respectively. At August 31, 2011 and 2010, USA Hockey Foundation owed \$2,094,659 and \$1,498,698, respectively, to the Corporation for these grants.

USA Hockey, Inc. provided certain administrative and accounting services to the Foundation. At August 31, 2011 and 2010, USA Hockey Foundation owed \$91,140 and \$17,991, respectively, to the Corporation for these services.

### M. NATIONAL HOCKEY LEAGUE

The National Hockey League increased its support of the Corporation and Foundation based on past performance and specific objectives. A significant portion of their funding is intended to provide budget relief for 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 and membership development, plus support for the United States Hockey League and the promotion of college hockey.

### N. INSURANCE ACTIVITY

HARP provides occurrence-based deductible reimbursement general liability coverage to USA Hockey, Inc. and Affiliates. For the policy periods during 2011 and 2010, policy limits were \$100,000 per occurrence with annual aggregates ranging from \$1,000,000 to \$1,150,000. This policy covers indemnity only and no loss adjustment expenses.

The Corporation's current insurance carrier, National Casualty, has required a letter of credit in the amount of \$168,000. The previous carrier, Great American, required a letter of credit in the amount of \$550,000. This amount will be reduced during the 2011 - 2012 fiscal year to \$100,000. This letter of credit is secured by cash that has been deposited into a separate savings account.

HARP also provides occurrence-based accident and sickness coverage to USA Hockey participants through an accident and sickness policy. The limits under this policy vary by type of occurrence within a \$1,000,000 annual aggregate in excess of \$3,500,000 aggregate deductible.

## Notes to Consolidating Financial Statements

### N. INSURANCE ACTIVITY - Continued

The policies in the preceding paragraph cover certified terrorism losses as defined under the Terrorism Risk Insurance Act of 2002 (TRIA) and subsequent extensions. On December 26, 2007, the President signed into law the Terrorism Risk Insurance Program Reauthorization Act of 2007, which extends TRIA through December 31, 2014.

TRIA provides for a system of shared public and private compensation for insured losses resulting from acts of terrorism. As a result, the certified terrorism coverage provided by HARP is eligible for 85% coinsurance provided by the United States Treasury in excess of a statutorily calculated deductible. HARP retains both the deductible and the remaining 15% coinsurance.

HARP maintains an arrangement with K&K Insurance Group for claims administration. HARP has made a loss escrow account deposit of \$165,097 and \$25,362 as of August 31, 2011 and 2010, respectively.

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

Balance at September 1, 2010	\$ 1,123,422
Incurred and related to current year	428,566
Incurred and related to prior years	(152,048)
Paid and related to current year	(37,123)
Paid and related to prior years	<u>(161,668)</u>
Balance at August 31, 2011	<u>\$ 1,201,149</u>

### O. RELATED PARTY TRANSACTIONS

HARP has an agreement with Aon Insurance Managers (USA) Inc., whereby Aon provides accounting, administrative and regulatory services. A director and officer of HARP is also an employee of Aon.

### P. 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 salary of each employee who elects to defer wages. The Corporation also makes a 5%



## Notes to Consolidating Financial Statements

### P. RETIREMENT PLAN - Continued

contribution for all eligible employees. Total pension expense for the years ended August 31, 2011 and 2010 amounted to \$524,919 and \$467,369, respectively.

### Q. 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.

### R. COMMITMENTS AND CONTINGENT LIABILITIES

The Corporation leases a training facility in Michigan for the benefit of the National Team Development Program (NTDP). The original lease, which commenced in August 1997, has been extended twice and expired in August 2008. A restated lease was entered into as of May 2008 which extended the original lease to August 2011. This restated lease also provided for an additional extension through August 2013. For the fiscal years ended 2012 and 2013, the annual rent will be adjusted according to the Consumer Price Index. The Corporation paid \$99,966 of rent under this lease agreement during the years ended August 31, 2011 and 2010.

The Corporation has two operating lease agreements for vehicles and a lease for warehouse space in Colorado Springs. The vehicle agreements expire in January 2012 and January 2014 and require payments of \$405 and \$457 per month. The warehouse agreement expires in January 2013 and requires monthly payments of \$2,947 through January 2012 and \$3,060 through January 2013.

The Corporation also leases two postage meters. The leases require monthly payments of \$493 and \$172 through April 2014 and July 2012.

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

2012	\$	156,497
2013		136,980
2014		5,737

The Corporation's total rent expense amounted to \$151,855 and \$175,298, respectively, for the years ended August 31, 2011 and 2010.

## Notes to Consolidating Financial Statements

### R. COMMITMENTS AND CONTINGENT LIABILITIES - Continued

The Corporation has multi-year employment contracts with four 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.

The Corporation has been named as a defendant in a class action lawsuit. As of August 31, 2011, the Corporation had received \$260,000 in advance legal settlement payments from the Corporation's insurance provider to cover the settlement costs.

USA HOCKEY, INC.  
 USA HOCKEY FOUNDATION  
 HOCKEY AND RINK PROTECTION, INC.  
 Schedule of Program Services  
 For the Year Ended August 31, 2011

	Membership Services	International Programs	National Team Development	Player Development	Officials	Adult Hockey	Coaching	American Development Model	Membership Development
Salaries	\$ 815,440	\$ 685,971	\$ 934,454	\$	\$ 291,643	\$ 330,358	\$ 275,689	\$ 648,009	\$ 351,973
Payroll taxes	57,495	45,570	71,580		21,878	23,224	20,641	48,915	23,325
Health insurance	104,479	77,495	138,981		42,248	36,129	39,471	103,570	46,881
Pension plan	57,007	45,218	43,621		22,925	20,649	22,315	54,939	32,710
Audio/visual									
Advertising & promotion	54,465	19,523	24,165	870	1,500	95,110	2,135	5,245	110,039
Building rent			93,743						
Vehicle lease		9,376							
Building maintenance			5,203						
Vehicle maintenance		28	133						
Dues & subscriptions	2,336	194,270	100				65	399	758
Equipment	32,555	131,666	20,602	(520)	5,544	3,064	34,348	142,628	59
Computer maintenance & support	94,500								
Postage & freight	981,685	119,913	36,537	18,135	67,522	43,230	41,328	38,509	33,304
Grants		1,150,000		822,539					
Ice rental	560	44,028	138,889	108,684	49,062	274,195	55,495	8,443	275
Insurance	5,061,547	39,500	8,028						
Investment & bank fees									
Meetings	2,244	741	4,257	7,857	73,708	118,087	80,968	1,790	485
Other	536,064	44,886	7,267						1,533
Printing & publications	78,486	1,601	10,491	10,650	67,120	4,179	154,073	10,626	4,489
Protocol gifts	1,117	4,283	2,383						1,489
Trophies & awards	9,450	67,852	7,418	1,768	3,644	151,072	98,095	1,036	149
Seminars & training	1,720		108,645						1,100
Honoraria	55,000	221,534	212,626	171,150	158,030	850	127,482	4,550	130,739
Contract services	231,640	49,722	235,863	25,065	12,150	173,234	6,711	146,804	12,678
Supplies	14,721	51,618	254,112	18,983	8,057	9,483	42,298	21,718	5,388
Telephone	51,802	20,207	5,690	1,726	18,467	3,377	5,904	16,392	389,267
Uniforms	423	60,525	7,134	52,777	16,898	5,908	13,714		
Corporate sponsor - VIK	882	126,790	135,968	102,402		5,878	7,688	2,718	
Utilities			15,756						
Travel	95,586	1,162,762	475,292	260,875	428,535	137,327	187,533	102,809	42,909
Lodging & meals	71,549	974,317	309,922	650,555	339,697	174,959	375,012	143,925	35,534
	<u>\$ 8,412,753</u>	<u>\$ 5,349,396</u>	<u>\$ 3,308,860</u>	<u>\$ 2,253,516</u>	<u>\$ 1,628,628</u>	<u>\$ 1,610,313</u>	<u>\$ 1,591,284</u>	<u>\$ 1,515,703</u>	<u>\$ 1,212,949</u>

	Annual Congress/ Mid-Winter Meetings	Internet Project	Youth Program	InLine Hockey	Junior Program	Patty Kazmaier Memorial Award	Lester Patrick Award	B. Burke Internship Program	Total
Salaries	\$	\$ 147,748	\$ 290,630	\$ 86,698	\$	\$	\$	\$	\$ 4,858,613
Payroll taxes		10,436	20,215	5,563					348,842
Health insurance		17,191	41,695	13,796					661,936
Pension plan		11,023	23,197	6,968					340,572
Audio/visual	82,722								82,722
Advertising & promotion		102		390	4,455	1,522			319,521
Building rent									93,743
Vehicle lease									9,376
Building maintenance									5,203
Vehicle maintenance									161
Dues & subscriptions			150						198,078
Equipment	873		229	34		4,047			375,129
Computer maintenance & support									94,500
Postage & freight	4,310	27	7,097	4,821	1,580	2,101	82		1,400,181
Grants					243,999				2,216,538
Ice rental				17,500					697,131
Insurance				192,397					5,301,472
Investment & bank fees								40	40
Meetings									8,046
Other	2,250	65	15	18,654	398	103			893,645
Printing & publications									356,236
Protocol gifts	11,543		279	326	777	1,596			10,682
Trophies & awards				1,410					433,620
Seminars & training	12,293	995	51,486	10,980	10,483	5,243	2,800		111,509
Honoraria				5,658	7,000				964,980
Contract services	8,020	396,736		10,000	36,389	662			1,463,735
Supplies	1,571	16	2,019	949	1,818	1,467			420,333
Telephone	1,497	832	5,787	504	2,241				145,240
Uniforms					4,329				567,367
Corporate sponsor - VIK	20,336		520	3,713	6,268				413,163
Utilities									15,756
Travel	223,250	609	38,209	11,941	38,761	7,149			3,213,547
Lodging & meals	422,636	646	36,076	11,020	32,083	9,092	5,000		3,592,023
	\$ 791,301	\$ 586,426	\$ 517,604	\$ 403,422	\$ 390,581	\$ 32,982	\$ 7,882	\$ 40	\$ 29,613,640

USA HOCKEY, INC.  
USA HOCKEY FOUNDATION  
HOCKEY AND RINK PROTECTION, INC.  
Schedule of Supporting Services  
For the Year Ended August 31, 2011

	General & Administrative	Marketing & Fundraising	Total
Salaries	\$ 1,492,964	\$ 666,088	\$ 2,159,052
Other	70,658	28,050	98,708
Building rent	136,686		136,686
Depreciation	432,064		432,064
Legal	302,557	66,901	369,458
Health insurance	556,535	95,097	651,632
Contract services	85,407	82,432	167,839
Travel	119,072	32,326	151,398
Pension plan	100,838	83,509	184,347
Lodging & meals	111,097	25,733	136,830
Insurance	142,825	2,434	145,259
Support for STAR	93,750		93,750
Payroll taxes	95,061	43,016	138,077
Printing & publications	14,436	14,036	28,472
Computer maintenance & support	75,821		75,821
Bank & investment fees	83,810	524	84,334
Telephone	58,289	5,680	63,969
Utilities	67,898		67,898
Supplies	57,197	1,930	59,127
Postage & freight	17,564	17,856	35,420
Trophies & awards	15,453	24,675	40,128
Accounting	74,766		74,766
Equipment purchases	53,823	925	54,748
Corporate sponsor - VIK	407	16,685	17,092
Advertising	18,359	130,893	149,252
Dues & subscriptions	19,661	915	20,576
Meetings	15,910		15,910
Bad debts	3,153		3,153
Vehicle lease	5,118		5,118
Building maintenance	63,843		63,843
Ice rental	6,419		6,419
Seminars & training	6,320	1,996	8,316
Protocol gifts	2,059	710	2,769
Uniforms	624		624
Gas & vehicle maintenance	3,810		3,810
	<u>\$ 4,404,254</u>	<u>\$ 1,342,411</u>	<u>\$ 5,746,665</u>