



USA HOCKEY, INC.

USA HOCKEY FOUNDATION AND SUBSIDIARIES

HOCKEY AND RINK PROTECTION, INC.

Consolidating Financial Statements

For the Year Ended August 31, 2020

TABLE OF CONTENTS

Independent Auditor's Report	1
Consolidating Statement of Financial Position	4
Consolidating Statement of Activities and Changes in Net Assets	5
Consolidated Statement of Functional Expenses	6
Consolidating Statement of Cash Flows	7
Notes to Consolidating Financial Statements	8

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, 2020, 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 \$6,034,208 as of August 31, 2020, and total support and revenues of \$829,079 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, 2020, 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, 2019, consolidating financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited consolidating financial statements from which it has been derived.

Emphasis of Matters

As described in Note A to the financial statements, during the year ended August 31, 2020, USA Hockey, Inc. and the USA Hockey Foundation and subsidiaries adopted Accounting Standards Update (ASU) 2014-09, *(Topic 606): Revenue from Contracts with Customers*, ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

As also described in Note A to the financial statements, during the year ended August 31, 2020, USA Hockey, Inc., the USA Hockey Foundation and subsidiaries, and Hockey and Rink Protection, Inc. adopted Accounting Standards Update ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and*

Measurement of Financial Assets and Financial Liabilities, ASU 2018-03, Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10), and ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.

Our opinion is not modified with respect to these matters.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
November 5, 2020

USA HOCKEY, INC.
USA HOCKEY FOUNDATION AND SUBSIDIARIES
HOCKEY AND RINK PROTECTION, INC.
Consolidating Statement of Financial Position
August 31, 2020
(With Comparative Consolidated Totals for 2019)

	USA Hockey, Inc.	USA Hockey Foundation and Subsidiaries	Hockey and Rink Protection, Inc.	Eliminating Entries	Consolidated Totals 2020	Consolidated Totals 2019
<u>ASSETS</u>						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 16,689,372	\$ 2,554,423	\$ 82,790	\$	\$ 19,326,585	\$ 12,883,067
Restricted cash	729,817				729,817	729,529
Short-term investments (Note C)			5,813,199		5,813,199	6,046,458
Accounts receivable	1,979,512	61,407	133,750	(133,750)	2,040,919	2,347,497
Grants receivable		1,405,358			1,405,358	980,029
Current portion of pledges receivable (Note E)		162,500			162,500	100,000
Due from USA Hockey Foundation	1,254,197			(1,254,197)		
Due from USOPC	1,244,000				1,244,000	1,184,000
Inventory		214,812			214,812	253,558
Grants receivable from USA Hockey Foundation	2,888,814			(2,888,814)		
Prepaid expenses	1,958,817	278,684			2,237,501	1,936,939
Total current assets	26,744,529	4,677,184	6,029,739	(4,276,761)	33,174,691	26,461,077
LONG-TERM INVESTMENTS (Note C)		17,723,853			17,723,853	18,134,119
LONG-TERM PLEDGES RECEIVABLE, net (Note E)		98,039			98,039	188,388
PROPERTY AND EQUIPMENT - at cost (Note F)	8,638,045	34,746,800			43,384,845	42,366,033
Less accumulated depreciation	(6,771,680)	(5,983,920)			(12,755,600)	(10,999,027)
Property and equipment, net	1,866,365	28,762,880			30,629,245	31,367,006
OTHER ASSETS (Note G):						
Artwork		690,000			690,000	690,000
Other assets			4,469		4,469	5,523
Investment in HARP (Note K)	750,000			(750,000)		
Intangible assets, net of amortization of \$188,663 and \$153,833		333,790			333,790	368,620
Total other assets	750,000	1,023,790	4,469	(750,000)	1,028,259	1,064,143
TOTAL ASSETS	\$ 29,360,894	\$ 52,285,746	\$ 6,034,208	\$ (5,026,761)	\$ 82,654,087	\$ 77,214,733

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 2,063,993	\$ 540,285	\$ 1,993,789	\$	\$ 4,598,067	\$ 5,813,315
Accrued payroll and related benefits	660,677				660,677	562,862
Deferred revenue (Note H)	13,957,131	152,943			14,110,074	17,904,934
Due to Hockey and Rink Protection, Inc.	133,750			(133,750)		
Due to USA Hockey, Inc.		1,254,197		(1,254,197)		
Due to USOPC	2,500				2,500	
Grants payable to USA Hockey, Inc.		2,888,814		(2,888,814)		
Current portion of notes payable (Note I)	1,081,535	267,808			1,349,343	
Current portion of bonds payable (Note J)		936,240			936,240	458,138
Total current liabilities	17,899,586	6,040,287	1,993,789	(4,276,761)	21,656,901	24,739,249

LONG-TERM LIABILITIES:

Deferred revenue (Note H)		31,687			31,687	20,166
Notes payable (Note I)	1,104,404	273,472			1,377,876	
Bonds payable, net (Note J)		9,454,978			9,454,978	10,230,587
Total liabilities	19,003,990	15,800,424	1,993,789	(4,276,761)	32,521,442	34,990,002

NET ASSETS:

Net assets without donor restrictions	9,287,101	33,182,063	4,040,419	(750,000)	45,759,583	38,872,821
Net assets with donor restrictions (Notes L and M)	1,069,803	3,303,259			4,373,062	3,351,910
Total net assets	10,356,904	36,485,322	4,040,419	(750,000)	50,132,645	42,224,731

TOTAL LIABILITIES AND NET ASSETS	\$ 29,360,894	\$ 52,285,746	\$ 6,034,208	\$ (5,026,761)	\$ 82,654,087	\$ 77,214,733
----------------------------------	---------------	---------------	--------------	----------------	---------------	---------------

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, 2020
(With Comparative Consolidated Totals for 2019)

	USA Hockey, Inc.	USA Hockey Foundation and Subsidiaries	Hockey and Rink Protection, Inc.	Eliminating Entries	Consolidated Totals 2020	Consolidated Totals 2019
CHANGE IN NET ASSETS WITHOUT						
DONOR RESTRICTIONS						
SUPPORT AND REVENUE:						
Membership registrations and dues	\$ 30,039,689	\$	\$	\$	\$ 30,039,689	\$ 27,309,144
National Hockey League (Note P)		9,400,000			9,400,000	9,400,000
Corporate sponsorship	3,688,577				3,688,577	3,156,370
Investment income (Note D)	1,003,347	1,998,134	579,079	(1,000,000)	2,580,560	505,732
Plymouth income, net		1,588,715		(215,949)	1,372,766	2,388,372
Tournaments and exhibitions	1,316,528				1,316,528	2,037,601
Advertising and merchandise sales	262,898	299,642			562,540	790,637
Other income	466,658	2,699		(1,800)	467,557	625,865
Contributions and other grants		273,519			273,519	633,529
USOPC grants (Note O)	30,000				30,000	377,350
Rental income, net (Note O)		633,302		(717,500)	(84,198)	451,757
USA Hockey Foundation grants	8,377,542			(8,377,542)		
Insurance premiums			250,000	(250,000)		
Satisfied program restrictions	<u>1,018,883</u>	<u>144,477</u>			<u>1,163,360</u>	<u>1,486,305</u>
Total support and revenue	46,204,122	14,340,488	829,079	(10,562,791)	50,810,898	49,162,662
EXPENSES:						
Program services:						
Membership services and						
development	10,888,198		332,757	(250,283)	10,970,672	11,676,966
International programs	6,561,403			(12,988)	6,548,415	8,548,784
National team development	4,080,718			(472,185)	3,608,533	3,856,913
Plymouth arena programs		3,212,647			3,212,647	3,822,638
Player development	1,419,767	9,213,649		(8,380,185)	2,253,231	3,595,370
Coaching	1,843,103				1,843,103	2,262,662
Officials	1,737,300			(7,210)	1,730,090	2,743,392
American development model	1,638,235				1,638,235	1,856,471
Junior program	793,334				793,334	680,250
Youth program	733,674				733,674	833,092
Adult hockey	690,130				690,130	1,744,656
Annual Congress/ Mid-Winter Meetings	<u>545,991</u>				<u>545,991</u>	<u>1,104,541</u>
Total program services	30,931,853	12,426,296	332,757	(9,122,851)	34,568,055	42,725,735

Supporting services:						
General and administrative	6,857,270	1,007,728		(369,300)	7,495,698	8,233,051
Marketing and fundraising	<u>1,304,889</u>	<u>626,131</u>		<u>(70,640)</u>	<u>1,860,380</u>	<u>2,040,483</u>
Total supporting services	<u>8,162,159</u>	<u>1,633,859</u>		<u>(439,940)</u>	<u>9,356,078</u>	<u>10,273,534</u>
Total expenses	<u>39,094,012</u>	<u>14,060,155</u>	<u>332,757</u>	<u>(9,562,791)</u>	<u>43,924,133</u>	<u>52,999,269</u>
CHANGE IN NET ASSETS						
WITHOUT DONOR RESTRICTIONS	7,110,110	280,333	496,322	(1,000,000)	6,886,765	(3,836,607)
CHANGE IN NET ASSETS WITH						
DONOR RESTRICTIONS						
(Notes L and M):						
USOPC grants (Note O)	1,526,000				1,526,000	1,090,000
Contributions		657,911			657,911	701,931
Investment income		601			601	1,315
Less satisfied program						
restrictions	<u>(1,018,883)</u>	<u>(144,477)</u>			<u>(1,163,360)</u>	<u>(1,486,305)</u>
CHANGE IN NET ASSETS WITH						
DONOR RESTRICTIONS	<u>507,117</u>	<u>514,035</u>			<u>1,021,152</u>	<u>306,941</u>
CHANGE IN NET ASSETS	7,617,227	794,368	496,322	(1,000,000)	7,907,917	(3,529,666)
NET ASSETS, beginning of year						
as restated	2,739,677	35,690,954	4,544,097	(750,000)	42,224,728	45,754,397
TRANSFER OF NET ASSETS			<u>(1,000,000)</u>	<u>1,000,000</u>		
NET ASSETS, end of year	<u>\$ 10,356,904</u>	<u>\$ 36,485,322</u>	<u>\$ 4,040,419</u>	<u>\$ (750,000)</u>	<u>\$ 50,132,645</u>	<u>\$ 42,224,731</u>

See Notes to Consolidating Financial Statements

USA HOCKEY, INC.
USA HOCKEY FOUNDATION AND SUBSIDIARIES
HOCKEY AND RINK PROTECTION, INC.
Consolidated Statement of Functional Expenses
For the Year Ended August 31, 2020
(With Comparative Consolidated Totals for 2019)

	Membership Services & Development	International Programs	National Team Development	Plymouth Arena Programs	Player Development	Officials	Coaching	American Development Model	Adult Hockey
Advertising & promotion	\$ 52,870	\$ 320	\$ 1,260	\$ 152,260	\$	\$	\$	\$ 54,000	\$ 114,443
Audio/visual									
Bad debt									
Building rent									
Computer maintenance & support	51,575		9,686			80			
Contract services	217,775	35,207	437,241			55,939	62,991	15,545	52,516
Corporate sponsor - VIK	532	232,953	166,954		64,207		8,001	32,187	11,010
Cost of goods sold				670,452					
Depreciation & amortization	73,534	15,436	110,696	1,094,231		9,230	177,218	508	3,513
Dues & subscriptions	6,632	123,862	24,104	1,642		13,601	960	2,072	100
Employee benefits	351,044	141,033	306,409	41,756		99,077	101,760	228,867	71,291
Equipment	77,682	196,069	13,341	27,525	870	25,183	38,143	900	11,086
Game costs				121,134					
Grants		1,901,265			2,151,115				
Honoraria	2,000	1,431,818	242,961			122,525	183,238		4,530
Ice rental	1,406	15,795	(5,577)			95,027	130,832		56,540
Insurance	6,356,784			185,664					
Interest				319,372					
Investment & bank fees				48,915					
League expenses				58,368					
Other	719,908	39,752	6,355	8,311	361	89,354	61,025	1,754	12,320
Payroll taxes	108,079	52,965	96,888	61,376		37,172	25,859	75,867	16,365
Postage & freight	848,761	119,542	12,755	3,007	3,130	97,620	33,616	2,408	10,884
Printing & publications	298,559		1,508	30,071	(456)	66,557	101,372	68	2,367
Professional fees				77,194					
Property tax				302,464					
Repairs & maintenance			1,164	264,168					
Salaries	1,443,179	734,195	1,258,484	995,022		491,400	351,167	984,230	210,868
Special events				14,106					
Supplies	6,522	35,046	248,868	23,173	7,698	17,284	21,768	3,771	6,731
Support for STAR									
Telephone	30,026	4,152	9,343	32,458	69	18,477	3,492	7,259	2,208
Travel	154,089	1,395,012	661,526	6,816	23,255	429,331	451,796	226,531	63,846
Trophies & awards	6,973	36,163	2,775		1,750	34,776	70,757		37,650
Uniforms	162,742	32,258	1,792	1,784	1,232	27,457	19,108	2,268	
Utilities				392,578					1,862
Vehicle expenses		5,572							
Total expenses by function	10,970,672	6,548,415	3,608,533	4,933,847	2,253,231	1,730,090	1,843,103	1,638,235	690,130
Less expenses included with revenue on the statement of activities				(1,721,200)					
Total expenses included in the expense section on the statement of activities	<u>\$ 10,970,672</u>	<u>\$ 6,548,415</u>	<u>\$ 3,608,533</u>	<u>\$ 3,212,647</u>	<u>\$ 2,253,231</u>	<u>\$ 1,730,090</u>	<u>\$ 1,843,103</u>	<u>\$ 1,638,235</u>	<u>\$ 690,130</u>

	Annual Congress/ Mid-Winter Meetings	Youth Program	Junior Program	Total	General & Administrative	Marketing & Fundraising	2020 Consolidated Total Expenses	2019 Consolidated Total Expenses
Advertising & promotion	\$	\$	\$ 9,895	\$ 385,048	\$ 34,951	\$ 175,623	\$ 595,622	\$ 581,413
Audio/visual	61,919			61,919			61,919	156,524
Bad debt					21,233		21,233	46,800
Building rent					88,731		88,731	85,607
Computer maintenance & support				61,341	98,683		160,024	229,837
Contract services	1,227			878,441	478,775	191,174	1,548,390	2,163,644
Corporate sponsor - VIK	24,409		13,043	553,296	5,997	36,501	595,794	549,798
Cost of goods sold				670,452			670,452	1,128,057
Depreciation & amortization				1,484,366	307,038		1,791,404	1,669,717
Dues & subscriptions				172,973	24,443	987	198,403	242,506
Employee benefits		126,191		1,467,428	1,130,544	195,553	2,793,525	2,988,136
Equipment	4,149	460		395,408	105,414	2,487	503,309	788,159
Game costs				121,134			121,134	162,075
Grants			663,001	4,715,381	5,000		4,720,381	4,334,113
Honoraria			7,300	1,994,372	12,456		2,006,828	2,397,866
Ice rental				294,023	20,166	8,775	322,964	626,049
Insurance				6,542,448	231,218	1,703	6,775,369	7,221,386
Interest				319,372			319,372	325,766
Investment & bank fees				48,915	58,677	6,204	113,796	113,613
League expenses				58,368			58,368	76,143
Other	6			939,146	161,948	1,747	1,102,841	1,316,082
Payroll taxes			3,368	477,939	234,651	71,331	783,921	858,853
Postage & freight	4,157	33,465		1,169,345	20,737	8,806	1,198,888	1,517,484
Printing & publications	4,014	7,577	12,248	523,885	11,395	3,797	539,077	684,773
Professional fees		27,638		104,832	468,023	82,527	655,382	697,217
Property tax				302,464			302,464	294,748
Repairs & maintenance				265,332	96,121		361,453	500,510
Salaries		481,928		6,950,473	3,149,635	976,752	11,076,860	11,745,737
Special events				14,106			14,106	170,771
Supplies	1,282	14	1,283	373,440	68,767	4,104	446,311	519,597
Support for STAR					125,000		125,000	125,000
Telephone	86	1,377	268	109,215	66,412	3,325	178,952	180,050
Travel	434,205		80,013	3,926,420	356,360	68,729	4,351,509	9,350,089
Trophies & awards	10,537	55,024	1,109	257,514	26,379	20,255	304,148	327,074
Uniforms			1,806	250,447			250,447	446,567
Utilities				394,440	75,185		469,625	539,870
Vehicle expenses				5,572	11,759		17,331	20,060
Total expenses by function	545,991	733,674	793,334	36,289,255	7,495,698	1,860,380	45,645,333	55,181,691
Less expenses included with revenue on the statement of activities				(1,721,200)			(1,721,200)	(2,182,422)
Total expenses included in the expense section on the statement of activities	\$ 545,991	\$ 733,674	\$ 793,334	\$ 34,568,055	\$ 7,495,698	\$ 1,860,380	\$ 43,924,133	\$ 52,999,269

See Notes to Consolidating Financial Statements

USA HOCKEY, INC.
USA HOCKEY FOUNDATION AND SUBSIDIARIES
HOCKEY AND RINK PROTECTION, INC.
Consolidating Statement of Cash Flows
For the Year Ended August 31, 2020
(With Comparative Consolidated Totals for 2019)

	USA Hockey, Inc.	USA Hockey Foundation and Subsidiaries	Hockey and Rink Protection, Inc.	Eliminating Entries	Consolidated Totals 2020	Consolidated Totals 2019
CASH FLOWS FROM OPERATING ACTIVITIES:						
Change in net assets	\$ 7,617,227	\$ 794,368	\$ 496,322	\$ (1,000,000)	\$ 7,907,917	\$ (3,529,666)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:						
Depreciation and amortization	684,026	1,107,377			1,791,403	1,669,717
Amortization of bond issuance costs		7,356			7,356	7,356
Realized gains on investments		(1,155,799)	(17,554)		(1,173,353)	(661,530)
Unrealized (gains) losses on investments		(573,437)	(257,680)		(831,117)	906,308
Decrease (increase) in assets:						
Accounts receivable	217,685	88,893	(133,750)	133,750	306,578	(763,034)
Grants receivable		(425,329)			(425,329)	8,942
Pledges receivable		27,849			27,849	215,000
Due from USOPC	(60,000)				(60,000)	4,465
Inventory		38,746			38,746	(46,157)
Grants receivable from USA Hockey Foundation	1,050,329			(1,050,329)		
Prepaid expenses	(359,047)	48,777			(310,270)	659,841
Other assets			10,763		10,763	116,473
Increase (decrease) in liabilities:						
Accounts payable and accrued liabilities	(1,152,613)	208,573	(271,209)		(1,215,249)	592,282
Accrued payroll and related benefits	97,812				97,812	(26,625)
Deferred revenue	(3,817,199)	33,860			(3,783,339)	1,910,075
Due to Hockey and Rink Protection, Inc.	133,750			(133,750)		
Due to USOPC	2,500				2,500	
Grants payable to USA Hockey, Inc.		(1,050,329)		1,050,329		
Total adjustments	(3,202,757)	(1,643,463)	(669,430)		(5,515,650)	4,593,113
Net cash provided (used) by operating activities	4,414,470	(849,095)	(173,108)	(1,000,000)	2,392,267	1,063,447

CASH FLOWS FROM INVESTING ACTIVITIES:						
Acquisition of property and equipment	(435,347)	(583,464)			(1,018,811)	(3,189,366)
Purchase of long-term and available for sale investments		(2,468,956)	(440,507)		(2,909,463)	(4,074,518)
Proceeds from long-term and available for sale investments		<u>4,608,458</u>	<u>949,000</u>		<u>5,557,458</u>	<u>5,164,531</u>
Net cash provided (used) by investing activities	(435,347)	1,556,038	508,493		1,629,184	(2,099,353)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Due to/from USA Hockey, Inc.		34,209		(34,209)		
Due to/from USA Hockey Foundation	(34,209)			34,209		
Principal payments on bonds payable		(304,864)			(304,864)	(213,233)
Proceeds from notes payable	2,185,939	541,280			2,727,219	
Member distribution			(1,000,000)	1,000,000		
Net cash provided (used) by financing activities	<u>2,151,730</u>	<u>270,625</u>	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>2,422,355</u>	<u>(213,233)</u>
NET INCREASE (DECREASE) IN CASH	6,130,853	977,568	(664,615)		6,443,806	(1,249,139)
CASH AND CASH EQUIVALENTS, beginning of year	<u>11,288,336</u>	<u>1,576,855</u>	<u>747,405</u>		<u>13,612,596</u>	<u>14,861,735</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 17,419,189</u>	<u>\$ 2,554,423</u>	<u>\$ 82,790</u>	<u>\$</u>	<u>\$ 20,056,402</u>	<u>\$ 13,612,596</u>

See Notes to Consolidating Financial Statements

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

Notes to Consolidating Financial Statements

For the Year Ended August 31, 2020

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.

Notes to Consolidating Financial Statements

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 September 1, 2019, the Corporation, the Foundation and subsidiaries adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) and ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). These two ASUs were adopted together as of September 1, 2019, because they both establish standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. Adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. ASU 2014-09 was adopted retrospectively for all periods presented.

As a result, the Corporation recorded a cumulative adjustment to net assets as of September 1, 2018, to reflect the effect of the new revenue recognition guidance. Adoption resulted in changes to the Corporation's accounting policies for revenue recognition, trade and other receivables, and deferred revenue. The impact of adopting the new guidance was a decrease in 2019 revenues of \$35,666 and an increase in total net assets of \$1,355,887. Following are the line items from the statement of financial position as of August 31, 2019 that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

<u>Statement of Financial Position</u>	<u>As Previously Reported</u>	<u>Revenue Recognition Adjustment</u>	<u>As Adjusted</u>
Assets:			
Due from USOPC	\$	\$ 1,184,000	\$ 1,184,000
Prepaid expenses	2,131,712	105,789	2,237,501
Liabilities:			
Deferred revenue	18,291,760	(366,660)	17,925,100
Net assets:			
Net assets without donor restrictions	38,079,620	793,201	38,872,821
Net assets with donor restrictions	2,789,224	562,686	3,351,910

The following are the line items from the statement of activities and statement of cash flows for the year ended August 31, 2019 that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance.

<u>Statement of Activities</u>	<u>As Previously Reported</u>	<u>Revenue Recognition Adjustment</u>	<u>As Adjusted</u>
Membership registrations and dues	\$ 27,193,969	\$ 115,175	27,309,144
USOPC grants	1,476,280	(8,930)	1,467,350
Coaching program expenses	2,192,083	70,579	2,262,662
Change in net assets without donor restrictions	(3,945,217)	108,610	(3,836,607)
Change in net assets with donor restrictions	379,885	(72,944)	306,941
Net assets, beginning of year	44,434,176	(2,209,448)	42,224,728

<u>Statement of Cash Flows</u>	<u>As Previously Reported</u>	<u>Revenue Recognition Adjustment</u>	<u>As Adjusted</u>
Increase in due from USOPC	\$	\$ 4,465	\$ 4,465
Decrease in prepaid expenses	589,262	70,579	659,841
Increase in deferred revenue	2,020,785	(110,710)	1,910,075
Net cash provided by operating activities	1,063,447		1,063,447

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

On September 1, 2019, the Corporation, Foundation and HARP also adopted ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, and subsequently issued related ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10)*, and elected early adoption for ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. These standards amend certain aspects of accounting and disclosure requirements for financial instruments, including the requirement that equity investments with readily determinable fair values are to be measured at fair value with any changes in fair value recognized in the statement of changes in net assets. The standards were adopted using the modified retrospective method and there is no effect on net assets with the implementation of the three ASUs.

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.

Notes to Consolidating Financial Statements

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.

Notes to Consolidating Financial Statements

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.

Accounts Receivable

Accounts receivable recognized by the Corporation and Foundation include amounts from contracts with customers. Receivables from contracts with customers at the beginning and end of the period were \$1,551,478 and \$1,606,054, respectively.

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, 2020 and 2019.

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.

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.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation and Amortization - continued

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 \$1,791,403 and \$1,669,717 for the years ended August 31, 2020 and 2019, respectively.

Supplemental Cash Flow Disclosure

Cash flows from operating activities reflect interest paid of \$313,113 and \$318,940 for the years ended August 31, 2020 and 2019, respectively. No income taxes were paid during either year.

Deferred Revenue

Deferred revenue, a contract liability, recognized by the Corporation and Foundation represent amounts from contracts with customers. This revenue is deferred as of year-end because the performance obligations relating to this revenue have not yet been completed by the entities. Deferred revenue from contracts with customers at the beginning and end of the period were \$17,295,100 and \$14,141,761, 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, 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.

USOPC and National Hockey League grants are considered contributions.

Notes to Consolidating Financial Statements

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.

Revenue from Contracts with Customers

Membership registrations and dues - Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing membership to its members. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Corporate sponsorship - The Corporation recognizes revenue from contracts with both sponsors and suppliers of USA Hockey, Inc. Performance obligations in such contracts are satisfied as services are rendered, and therefore, the Corporation will recognize revenue over time. The Corporation has concluded that the performance obligations within these contracts are substantially the same in each year and are satisfied ratably over the term of the agreement.

Therefore, sponsorship revenue from contracts with customers will be recognized on a straight-line basis over the term of the agreement.

Tournaments and exhibitions - The Corporation receives revenue from sales related to various sporting events. The revenue is recognized at the time of the event when the performance obligations are satisfied.

Plymouth Income:

Restaurant and Concession Sales - Beck Road operates a restaurant that offers dining and beverage services to the public. Revenue is recognized from sales of food and beverages as these services are paid for by customers and performance obligations are satisfied by the restaurant.

Beck Road also operates a concession stand within the Hockey Arena owned and operated by Plymouth AC. The concession stand is open during Hockey games and other specified times and concessions are offered to the public. Revenue is recognized as sales are made and as the performance obligations of the concession stand are met.

Restaurant and concession sales are recognized net of costs of sales in the consolidating statement of activities.

Rental income - Plymouth AC leases office and training space to USA Hockey, Inc. and leases restaurant and concession space to Beck Road, pursuant to respective lease agreements. Note N goes on to further describe this revenue source from contracts with customers.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Rental income is recognized ratably across the term of the respective lease as the contracted space is made available for use by the tenants. Rental income is recognized net of cost of rental expenses.

Drive-in - Plymouth AC operates a drive-in movie service that is available to the public. Revenue is recognized as drive-in sales are completed and the services are provided to the customers. Drive-in sales are recognized net of costs of sales in the consolidating statement of activities.

Pro Shop - Plymouth AC owns and maintains an onsite hockey pro shop that sells hockey apparel, equipment, and accessories to the public. Revenue is recognized as services and products are purchased and as the related services and products are provided to the members.

Pro shop sales are recognized net of costs of sales in the consolidating statement of activities.

Other Arena Activities - As previously stated, Plymouth AC owns and operates a Hockey arena and conducts numerous activities within the space.

Plymouth sells season and general admission tickets to the developmental national team games. At times Plymouth rents its facilities out to third parties for various special events and activities such as high school commencements and other hockey events. Plymouth AC also sells ice time to groups as needed for hockey practices or events.

Revenue from Other Arena Activities include ticket revenue, naming rights, special events, skating fees, league revenue, and miscellaneous income.

Plymouth AC recognizes revenue from all these activities as the public pays for these services and the specified performance obligations are satisfied.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Advertising - The Corporation and Foundation recognize revenue from contracts with sponsors and suppliers. Performance obligations in such contracts are satisfied as services are rendered, and therefore, the Corporation and Foundation recognize revenue over time. The Corporation and Foundation has concluded that the performance obligations within these contracts are substantially the same in most years and are satisfied ratably over the term of the agreement.

Merchandise Sales - Revenue is recognized as services and products are purchased and as the related services and products are provided to the members. Merchandise sales are recognized net of costs of sales in the consolidating statement of activities.

Insurance premiums 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, 2020 and 2019.

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.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, the Foundation and Subsidiaries', and HARP's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

Certain amounts have been restated to conform to the current year presentation.

Date of Management's Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 5, 2020, 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	\$ 19,326,585
Accounts and grants receivable	3,446,277
Pledges receivable - current	162,500
Due from USOPC	1,244,000
Short-term investments	<u>5,813,199</u>
	29,992,561
Less assets with donor restrictions:	
Donor restrictions - temporary in nature	
net of portion in long-term pledge receivable	4,104,147
Donor restrictions - perpetual in nature	<u>170,876</u>
Financial assets available within one year	<u>\$ 25,717,538</u>

Notes to Consolidating Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

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).

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.

Notes to Consolidating Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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, 2020 and 2019.

The following tables present assets that are measured at fair value on a recurring basis at August 31, 2020 and 2019:

<u>Assets at Fair Value as of August 31, 2020</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 482,942	\$	\$	\$ 482,942
Equity securities:				
Equities	9,140,124			9,140,124
Mutual funds	5,813,199			5,813,199
Debt securities:				
Fixed income	5,230,645			5,230,645
Wells Fargo pooled fund		1,000,000		1,000,000
USOE pooled fund		1,870,142		1,870,142
	<u>\$ 20,666,910</u>	<u>\$ 2,870,142</u>	<u>\$</u>	<u>\$ 23,537,052</u>
<u>Assets at Fair Value as of August 31, 2019</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 318,948	\$	\$	\$ 318,948
Equity securities:				
Equities	10,276,608			10,276,608
Mutual funds	6,046,458			6,046,458
Debt securities:				
Fixed income	5,848,960			5,848,960
USOE pooled fund		1,689,603		1,689,603
	<u>\$ 22,490,974</u>	<u>\$ 1,689,603</u>	<u>\$</u>	<u>\$ 24,180,577</u>

The above categories include \$1,870,142 at August 31, 2020, and \$1,689,603 at August 31, 2019, invested in a pooled portfolio managed by the United States Olympic Endowment (USOE). The remainder of the Foundation's investment

Notes to Consolidating Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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, 2020, the USOE portfolio consisted of the following types of securities:

Alternative investments	35.16%
Domestic equities	28.39%
International equities	15.39%
Domestic bonds	19.74%
Cash and cash equivalents	<u>1.32%</u>
	<u>100.00%</u>

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 \$5,813,199 and \$6,046,458 at August 31, 2020 and 2019, respectively.

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.

Notes to Consolidating Financial Statements

C. FAIR VALUE MEASUREMENTS - Continued

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Unrealized gains (losses)		
on securities	\$ 831,117	\$ (890,968)
Realized gains on		
securities	1,173,353	646,190
Interest and dividends	662,786	847,873
Investment expenses	<u>(86,095)</u>	<u>(96,048)</u>
	<u>\$ 2,581,161</u>	<u>\$ 507,047</u>

E. PLEDGES RECEIVABLE

As of August 31, 2020, the Foundation had net pledges receivable of \$260,539, 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 \$1,961 at August 31, 2020.

F. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 30,640,099	\$ 30,059,363
Equipment, furniture		
and technology	7,283,281	6,881,583
Land	3,295,000	3,295,000
Program equipment	2,166,465	2,130,087
Less accumulated depreciation	<u>(12,755,600)</u>	<u>(10,999,027)</u>
	<u>\$ 30,629,245</u>	<u>\$ 31,367,006</u>

Notes to Consolidating Financial Statements

G. OTHER ASSETS

Included in intangible assets at August 31, 2020, are start-up costs and licenses incurred by the Foundation and subsidiaries of \$522,453 less amortization of \$228,511. 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. The prints are still being held by the Foundation.

H. DEFERRED REVENUE

Deferred revenue consists of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Registrations and tournament fees	\$ 12,687,495	\$ 15,889,440
Sponsor payment	375,500	525,000
Temporary coach card	352,250	100
Seminar and clinic fees	320,427	973,082
Plymouth Arena programs	170,260	139,234
Officials Affiliate fees	135,495	229,169
Insurance proceeds	64,969	64,969
Other	16,395	12,370
Beck Road programs	14,370	11,536
Transfer card fees	<u>4,600</u>	<u>80,200</u>
	<u>\$ 14,141,761</u>	<u>\$ 17,925,100</u>

I. NOTES PAYABLE

The Paycheck Protection Program loans obtained by each entity may be forgivable if certain criteria related to expenditures for payroll and related costs, mortgage interest, lease and utility costs are met. In addition, criteria related to employee retention affects the amount eligible for forgiveness. The application for forgiveness has not been submitted so the amounts below represent the entire amount of the loan.

Notes to Consolidating Financial Statements

I. NOTES PAYABLE - Continued

Notes payable at August 31, 2020 consists of the following:

USA Hockey, Inc. - Paycheck Protection Program loan payable to TCF National Bank due in monthly installments to be determined. The stated interest rate is 1%. Payments are deferred until February 1, 2021. The loan has an estimated maturity date of March 1, 2022. \$ 2,185,939

Plymouth AC - Paycheck Protection Program loan payable to TCF National Bank due in monthly installments to be determined. The stated interest rate is 1%. Payments are deferred until February 1, 2021. The loan has an estimated maturity date of March 1, 2022. 239,211

Beck Road - Paycheck Protection Program loan payable to TCF National Bank due in monthly installments to be determined. The stated interest rate is 1%. Payments are deferred until February 1, 2021. The loan has an estimated maturity date of March 1, 2022. 219,372

USA Hockey Foundation - Paycheck Protection Program loan payable to JP Morgan Chase Bank due in monthly installments to be determined. The stated interest rate is 1%. Payments are deferred until February 1, 2021. The loan has an estimated maturity date of March 1, 2022. 82,697

Less current portion \$ 2,727,219

Long-term portion (1,349,343)
\$ 1,377,876

Future principal payments for these notes payable for the years ended August 30 are estimated to be as follows:

2021	\$ 1,377,876
2022	1,349,343
	<u>\$ 2,727,219</u>

Notes to Consolidating Financial Statements

J. 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. 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 original 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. During the year ended August 31, 2018, the second bond arrangement was retired.

The initial rate on the outstanding 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.

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 its 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. Due to COVID-19, Wells Fargo deferred payments which were due in July, August, and September of 2020.

Notes to Consolidating Financial Statements

J. BONDS PAYABLE - Continued

At August 31, 2020 and 2019, the face amounts of the bonds were \$10,461,717 and \$10,766,581, respectively, and the unamortized debt issuance costs were \$70,499 and \$77,856, respectively.

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

2021	\$ 936,240
2022	1,034,610
2023	1,063,036
2024	1,092,306
2025	1,109,245
Thereafter	5,226,280

K. MEMBER EQUITY

In accordance with the Vermont Department of Financial Regulation (the Department), HARP must maintain a minimum capital and surplus of \$250,000. As of August 31, 2020 and 2019, HARP has met the minimum capital requirement. Prior to distributions being paid to USA Hockey, Inc., HARP must receive written approval from the Department. Upon receiving approval from the Department, a \$1,000,000 member distribution was declared and paid during the year ended August 31, 2020. During 2019, no distributions were declared or paid. There were no material differences between the audited financial statements and the annual reports filed with the Department for the years ended August 31, 2020 and 2019.

Notes to Consolidating Financial Statements

L. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY IN NATURE

Net assets with donor restrictions - temporary in nature at August 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
USOPC grants	\$ 1,069,803	\$ 562,685
Friends of Women's Hockey	574,726	554,890
James Johansson Legacy Fund	420,872	385,806
National Team development	339,655	339,655
Patty Kazmaier Memorial	236,362	243,407
Youth hockey	231,333	201,487
Raise the Flag Campaign	225,270	
B. Burke Internship	192,796	191,620
Starts with a Stick	171,766	135,270
Ron DeGregorio Goaltending Fund	132,571	91,866
Brianna Decker Endowment Fund	128,939	55,213
Walter Bush fund	90,065	90,065
Disabled athlete program	80,659	76,222
Membership relief fund	65,612	
Try Hockey for Free Equipment	55,556	55,556
Junior Goaltending Camp - Plymouth MI	50,000	50,000
Resource library	33,885	39,885
Disabled youth program	25,000	25,000
Pass It Forward	17,863	17,863
Wounded Warriors/disabled program	12,040	12,040
Heads Up Don't Duck program	10,000	10,000
Sled Hockey Team - Paralympic	8,760	6,385
Rink conversion program	8,511	8,511
Brian Fishman Memorial	7,570	7,045
Darian Locklear Memorial Fund	6,700	17,200
International player development	1,750	1,750
Underprivileged children	1,702	1,702
Special Hockey National Team	1,509	
Grow the Game	511	511
USA Hockey Hall of Fame	150	150
Safety programs	100	100
Referee program	100	100
Paralympic Sled Hockey Team	50	50
	<u>\$ 4,202,186</u>	<u>\$ 3,182,034</u>

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

Notes to Consolidating Financial Statements

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

During the years ended August 31, 2020 and 2019, net assets were released from restrictions by satisfying the following restricted purposes:

	<u>2020</u>	<u>2019</u>
USOPC grants	\$ 1,018,883	\$ 1,162,944
Friends of Women's Hockey	100,000	100,000
Darian Locklear Memorial Fund	10,500	13,000
Patty Kazmaier Memorial	7,812	27,608
Special Hockey National Team	6,490	
Resource library	6,000	6,000
James Johansson Legacy Fund	5,000	5,000
Brianna Decker Endowment Fund	5,000	
Youth hockey	3,675	4,993
Restricted pledges		90,000
Starts with a Stick		74,190
Blind hockey		2,570
	<u>\$ 1,163,360</u>	<u>\$ 1,486,305</u>

M. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL IN NATURE

Net assets with donor restrictions - perpetual in nature for the Foundation at August 31, 2020, 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.

At August 31, 2020 and 2019, the underlying assets of the endowment fund are included in the statement of financial position as cash.

N. 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.

Notes to Consolidating Financial Statements

N. ENDOWMENT FUNDS - Continued

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, 2020, 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.

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

Notes to Consolidating Financial Statements

N. ENDOWMENT FUNDS - Continued

Composition of Endowment - continued

	Temporarily Restricted	Perpetually Restricted	Total
Endowment net assets,			
August 31, 2018	\$ 5,845	\$ 165,876	\$ 171,721
Contributions		4,000	4,000
Investment income	<u>1,200</u>	<u></u>	<u>1,200</u>
Endowment net assets,			
August 31, 2019	7,045	169,876	176,921
Contributions		1,000	1,000
Investment income	<u>525</u>	<u></u>	<u>525</u>
Endowment net assets,			
August 31, 2020	<u>\$ 7,570</u>	<u>\$ 170,876</u>	<u>\$ 178,446</u>

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.

Notes to Consolidating Financial Statements

O. 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, 2020 and 2019, consist of the following project categories:

	<u>2020</u>	<u>2019</u>
Performance partnership agreement	\$ 1,150,000	\$ 1,090,000
Paralympic high performance funding	376,000	384,930
International relations and other grants	<u>30,000</u>	<u>1,350</u>
	<u>\$ 1,556,000</u>	<u>\$ 1,476,280</u>

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, 2020 and 2019. The USOPC paid the Corporation \$50,000 and \$200,000 during the years ended August 31, 2020 and August 31, 2019, respectively as management fees to conduct events. This amount is included in tournaments and exhibitions in the accompanying statement of activities.

During the years ended August 31, 2020 and 2019, the International Ice Hockey Federation (IIHF) provided funding to the Corporation of \$699,500 and \$1,182,798 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.

Notes to Consolidating Financial Statements

O. AFFILIATED ORGANIZATIONS - Continued

Rental income is shown net of rental expenses of \$1,050,748 and \$1,054,365 for the years ended August 31, 2020 and 2019, respectively.

During the years ended August 31, 2020 and 2019, the Foundation provided grants to USA Hockey, Inc. in the amount of \$8,377,542 and \$8,588,502, respectively. At August 31, 2020 and 2019, USA Hockey Foundation owed \$2,888,814 and \$3,939,143, 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, 2020 and 2019, USA Hockey Foundation owed \$1,254,197 and \$1,255,844 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 \$978,571 and \$1,054,365 for the years ended August 31, 2020 and 2019, respectively.

At August 31, 2020 and 2019, Plymouth AC owed \$706,482 and \$591,048 to USA Hockey, Inc., respectively, for administrative costs. At August 31, 2020 and 2019, Beck Road owed \$73,665 and \$11,802 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, 2020, Plymouth AC billed USA Hockey, Inc. \$196,502 for services. At August 31, 2020 and 2019, USA Hockey, Inc. owed Plymouth AC \$0 and \$200, respectively, for services. Beck Road provides food services to USA Hockey, Inc. for various events. At August 31, 2020 and 2019, USA Hockey, Inc. owed Beck Road \$0 and \$13,547, respectively, for services.

Notes to Consolidating Financial Statements

P. 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 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.

Q. INSURANCE ACTIVITY

HARP provides occurrence-based deductible reimbursement general liability coverage to USA Hockey, Inc. and its Affiliates. For the policy periods during 2020 and 2019, 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 2020 and 2019, HARP also provides a package policy for excess sexual abuse, legal expense reimbursement, and accident and sickness coverage to USA Hockey, Inc. and its Affiliates. The limits for excess sexual abuse and legal expense reimbursement under this policy are \$250,000 per occurrence, with a \$250,000 annual aggregate. The limits for accident and sickness coverage under this policy are \$1,000,000 in excess of a \$3,500,000 deductible. The policy carries a \$2,000,000 annual aggregate for all coverage parts.

The deductible reimbursement general liability coverage covers certified terrorism losses as defined under the Terrorism Risk Insurance Act of 2002 (TRIA) and the subsequent extensions of TRIA through 2027. 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 (\$200 million in 2020 and \$180 million in 2019). The coverage provided by HARP is eligible under TRIA for co-insurance protection (80% in 2020 and 81% in 2019) 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.

Notes to Consolidating Financial Statements

Q. INSURANCE ACTIVITY - Continued

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. As of August 31, 2020, HARP recorded losses payable of \$137,800, representing claims paid by K&K that have not been reimbursed by HARP, but have been removed from unpaid losses and loss adjustment expenses on the balance sheets. HARP has made a loss escrow deposit of \$9,709 as of August 31, 2019, which is to be used for the payment of losses.

Activity in the liability for unpaid losses, for the years ended August 31, 2020 and 2019, is summarized as follows:

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	\$ 2,243,373	\$ 1,608,417
Incurred related to:		
Current year	354,214	416,280
Prior year	<u>(159,197)</u>	<u>497,738</u>
Total incurred	195,017	914,018
Paid related to:		
Current year	(3,158)	(5,249)
Prior year	<u>(600,868)</u>	<u>(273,813)</u>
Total paid	<u>(604,026)</u>	<u>(279,062)</u>
Balance at the end of the year	<u>\$ 1,834,364</u>	<u>\$ 2,243,373</u>

The estimates for incurred losses on insured events in prior years decreased by \$159,157 in 2020, which was a result of favorable loss development mainly related to the 2019 deductible reimbursement general liability policy years.

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.

Notes to Consolidating Financial Statements

Q. INSURANCE ACTIVITY - Continued

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 USA Hockey, Inc.'s 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, HARP 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. Accident years prior to 2020 for incurred and paid losses and the average annual percentage payout of incurred losses as of August 31, 2020 represent supplementary information and are unaudited.

Notes to Consolidating Financial Statements

Q. INSURANCE ACTIVITY - Continued

Deductible Reimbursement General Liability:

Incurred Losses and Allocated Loss Adjustment Expenses											As of August 31, 2020	
For the Years Ended August 31, (Unaudited)											Total of Incurred-But- Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
2011	\$428,566	\$368,614	\$421,039	\$322,282	\$272,785	\$275,626	\$260,581	\$237,305	\$ 237,305	\$ 237,305		46
2012		443,382	400,186	467,473	429,508	497,953	483,066	482,599	444,781	444,874		40
2013			376,168	262,035	188,182	150,993	465,419	134,429	129,282	148,446		32
2014				316,816	256,855	156,846	134,966	132,483	127,190	75,638	23,299	33
2015					589,232	475,604	596,256	506,194	503,725	468,725	44,636	28
2016						431,861	318,361	333,928	364,778	482,705	68,342	34
2017							345,443	325,852	408,897	476,008	106,792	40
2018								383,317	502,887	611,175	199,186	44
2019									416,280	306,202	241,670	27
2020										<u>354,214</u>	300,756	17
									Total	3,605,292		
Cumulative Paid Losses and Allocated Loss Adjustment												
For the Years Ended August 31, (Unaudited)												
Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
2011	37,123	36,305	134,805	209,805	209,805	217,305	237,305	237,305	237,305	237,305		
2012		9,802	26,028	170,688	170,688	442,281	444,781	444,781	444,781	444,874		
2013			8,440	20,846	33,346	33,346	33,346	33,346	33,346	33,346		
2014				14,339	14,339	14,339	14,339	14,339	29,339	52,339		
2015					10,680	100,089	170,089	200,089	224,089	424,089		
2016						17,254	31,363	36,863	36,863	144,363		
2017							9,041	43,216	166,716	279,216		
2018								2,901	114,214	121,989		
2019									5,249	30,249		
2020										<u>3,158</u>		
									Total	<u>1,770,928</u>		
									Liabilities for claims	<u>\$1,834,364</u>		

Notes to Consolidating Financial Statements

Q. 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, 2020 and is unaudited:

(Unaudited)

1 st Year	2 nd Year	3 rd Year	4 th Year	5 th Year
5.3%	7.5%	15.7%	8.8%	14.7%
6 th Year	7 th Year	8 th Year	9 th Year	10 th Year
13.2%	9.7%	0.0%	0.0%	0.0%

R. EVENT PARTICIPATION

Each year, the Corporation participates in or hosts events, and these events vary year to year. Some events do not occur each year; therefore, revenue may vary significantly from year to year.

S. 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, 2020 and 2019. A director and officer of HARP is also an employee of Aon.

T. 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.

Notes to Consolidating Financial Statements

T. 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, 2020 and 2019, amounted to \$602,247 and \$686,998, respectively.

The Foundation and its subsidiaries maintain a defined contribution, Section 403(b) retirement plan for its employees by enrolling them in the USA Hockey, Inc. retirement plan. Employees are immediately eligible for elective deferrals. Employees are able to make pre-tax contributions to the plan up to the dollar and percentage limits set by law.

The Foundation and its subsidiaries make matching contributions of up to 4% of the salary of each employee who elects to defer wages and has satisfied six months of service. The Foundation and its subsidiaries also make semi-annual discretionary contributions for all eligible employees. Total pension expense for the years ended August 31, 2020 and 2019, was \$88,945 and \$110,247, respectively.

U. 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.

V. COMMITMENTS AND CONTINGENT LIABILITIES

The Corporation has two operating lease agreements for vehicles and a lease for warehouse space in Colorado Springs. The vehicle agreements expire in November 2020 and June 2021 and require payments of \$496, and \$623 per month. The warehouse agreement was renewed in August 2018, to include an expanded area.

Notes to Consolidating Financial Statements

V. COMMITMENTS AND CONTINGENT LIABILITIES - Continued

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.

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

2021	\$	94,419
2022		90,813
2023		94,415

The Corporation's total rent expense amounted to \$97,371 and \$99,969, respectively, for the years ended August 31, 2020 and 2019.

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, 2020, are either without merit or will not exceed insurance limits.

W. UNCERTAINTIES

During the year ended August 31, 2020, the outbreak of COVID-19 (coronavirus) has been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States. The COVID-19 (coronavirus) outbreak has had a notable impact on general economic conditions, including but not limited to the decline in global financial markets, temporary closures of many businesses, suspension or cancelation of events, "shelter in place" and other governmental regulations and job losses. The extent to which the COVID-19 (coronavirus) outbreak will affect the operations, collections or financial results of the Foundation is uncertain.