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

Consolidating Financial Statements

For the Year Ended August 31, 2022



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidating financial statements of USA Hockey, Inc. (the Corporation)(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, 2022, 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.

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 the Corporation, USA Hockey Foundation and subsidiaries, and Hockey and Rink Protection, Inc. as of August 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USA Hockey, Inc., USA Hockey Foundation and subsidiaries, and Hockey and Rink Protection, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Hockey, Inc.'s, USA Hockey Foundation's and subsidiaries', and Hockey and Rink Protection, Inc.'s ability to continue as going concerns within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these consolidating financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We did not audit the financial statements of Hockey and Rink Protection, Inc., a wholly owned subsidiary, which statements reflect total assets of \$5,273,160 of August 31, 2022, and total support and revenues of \$(489,411) 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.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness USA Hockey, Inc.'s, USA Hockey Foundation's and subsidiaries', and Hockey and Rink Protection, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Hockey, Inc.'s, USA Hockey Foundation's and subsidiaries', and Hockey and Rink Protection, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Corporation's August 31, 2022, consolidating financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2021.

In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP

Colorado Springs, Colorado November 2, 2022

USA HOCKEY FOUNDATION AND SUBSIDIARIES

HOCKEY AND RINK PROTECTION, INC.

Consolidating Statement of Financial Position

August 31, 2022

(With Comparative Consolidated Totals for 2021)

TTC7	Hockey	

	USA	Foundation and	Hockey and Rink	Eliminating	Consolidated	Consolidated
	Hockey, Inc.	Subsidiaries	Protection, Inc.	Entries	Totals 2022	Totals 2021
<u>ASSETS</u>						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 29,484,866	\$ 2,665,990	\$ 95,176	\$	\$ 32,246,032	\$ 23,994,330
Restricted cash	729,890				729,890	729,890
Short-term investments (Note D)			4,973,111		4,973,111	5,989,758
Accounts receivable	1,810,170	575,646			2,385,816	2,173,865
Grants receivable		1,137,040			1,137,040	2,122,188
Current portion of pledges						
receivable (Note E)		50,000			50,000	100,000
Due from USA Hockey, Inc.		260,794		(260,794)		
Due from USA Hockey Foundation	1,158,071			(1,158,071)		
Due from USOPC	934,000				934,000	1,267,000
Inventory		189,316			189,316	193,999
Grants receivable from USA						
Hockey Foundation	2,513,799			(2,513,799)		
Prepaid expenses	1,376,395	505,336			1,881,731	2,207,953
Total current assets	38,007,191	5,384,122	5,068,287	(3,932,664)	44,526,936	38,778,983
LONG-TERM INVESTMENTS (Note D)		16,314,487			16,314,487	21,265,117
PROPERTY AND EQUIPMENT -						
at cost (Note F)	9,323,095	35,160,734			44,483,829	43,836,021
Less accumulated depreciation	(7,909,026)	(7,864,254)			(15,773,280)	(14,326,704)
Property and equipment, net	1,414,069	27,296,480			28,710,549	29,509,317
OTHER ASSETS (Note G):						
Artwork		690,000			690,000	690,000
Other assets			204,873		204,873	200,362
Investment in HARP (Note K)	750,000		•	(750,000)	•	•
Intangible assets, net of amortization						
of \$258,323 and \$223,493		264,129			264,129	298,960
Total other assets	750,000	954,129	204,873	(750,000)	1,159,002	1,189,322
TOTAL ASSETS	\$ 40,171,260	\$ 49,949,218	\$ 5,273,160	<u>\$ (4,682,664</u>)	\$ 90,710,974	\$ 90,742,739

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:						
Accounts payable and accrued						
liabilities	\$ 4,740,453	\$ 178,049	\$ 1,532,062	\$	\$ 6,450,564	\$ 5,152,622
Accrued payroll and related						
benefits	901,875	138,292			1,040,167	1,035,605
Deferred revenue (Note H)	22,389,099	214,476			22,603,575	17,471,561
Refundable advances						505,176
Due to USA Hockey, Inc.		1,158,071		(1,158,071)		
Due to USA Hockey Foundation	260,794.00			(260,794)		
Grants payable to USA						
Hockey, Inc.		2,513,799		(2,513,799)		
Current portion of bonds						
payable (Note J)		1,065,737			1,065,737	1,034,610
Total current liabilities	28,292,221	5,268,424	1,532,062	(3,932,664)	31,160,043	25,199,574
LONG-TERM LIABILITIES:						
Deferred revenue (Note H)						167,019
Bonds payable, net (Note J)		7,422,531			7,422,531	8,450,230
Total liabilities	28,292,221	12,690,955	1,532,062	(3,932,664)	38,582,574	33,816,823
NET ASSETS:						
Net assets without donor restrictions	11,717,039	33,875,433	3,741,098	(750,000)	48,583,570	52,719,744
Net assets with donor restrictions						
(Notes L and M)	162,000	3,382,830			3,544,830	4,206,172
Total net assets	11,879,039	37,258,263	3,741,098	(750,000)	52,128,400	56,925,916
TOTAL LIABILITIES AND NET ASSETS	\$ 40,171,260	\$ 49,949,218	\$ 5,273,160	\$ (4,682,664)	\$ 90,710,974	\$ 90,742,739

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, 2022

(With Comparative Consolidated Totals for 2021)

		USA Hockey				
	USA	Foundation and	Hockey and Rink	Eliminating	Consolidated	Consolidated
	Hockey, Inc.	Subsidiaries	Protection, Inc.	Entries	Totals 2022	Totals 2021
CHANGE IN NET ASSETS WITHOUT			· · · · · · · · · · · · · · · · · · ·			
DONOR RESTRICTIONS						
SUPPORT AND REVENUE:						
Membership registrations and dues	\$ 29,097,117	\$	\$	\$	\$ 29,097,117	\$ 25,536,262
National Hockey League (Note P)	4 / /	9,400,000	т	*	9,400,000	9,400,000
Tournaments and exhibitions	3,999,758	.,,			3,999,758	1,322,832
Corporate sponsorship	3,926,423				3,926,423	3,161,244
Plymouth income, net		1,830,394		(278,198)	1,552,196	883,907
Other income	927,267	21,523		(1,800)	946,990	651,566
Rental income, net (Note O)	,	1,470,621		(717,500)	753,121	418,826
Corporate sponsorship VIK	557,809				557,809	267,503
PPP grant	•	505,176			505,176	2,727,219
Contributions and other grants	151	412,030			412,181	342,941
ERC grants		508,897			508,897	
Advertising and merchandise sales	45,908	297,036			342,944	65,752
USOPC grants (Note O)	160,900				160,900	70,419
USA Hockey Foundation grants	10,442,845			(10,442,845)		
Insurance premiums			250,000	(250,000)		
Loss on extinguishment of debt		(89,760)			(89,760)	
Investment income (Note U)	1,778	(2,735,449)	(739,411)		(3,473,082)	4,097,899
Satisfied program restrictions	1,206,535	1,461,290			2,667,825	2,053,251
Total support and revenue	50,366,491	13,081,758	(489,411)	(11,690,343)	51,268,495	50,999,621
EXPENSES:						
Program services:						
Membership services and development	12,125,965		339,807	(250,000)	12,215,772	9,359,283
International programs	12,062,404			(26,349)	12,036,055	8,052,084
National team development	4,422,120			(579,626)	3,842,494	3,509,384
Player development	3,240,128	10,908,608		(10,445,714)	3,703,022	3,096,773
Plymouth arena programs		3,470,061			3,470,061	3,023,889
Officials	2,983,385			(14,572)	2,968,813	1,929,069
American development model	1,776,952				1,776,952	1,576,483
Annual Congress/Mid-Winter meetings	1,227,338				1,227,338	86,183
Coaching	1,166,103				1,166,103	1,323,882
Youth program	773,401				773,401	850,860
Adult hockey	665,792				665,792	425,616
Junior program	519,656				519,656	559,541
Total program services	40,963,244	14,378,669	339,807	(11,316,261)	44,365,459	33,793,047

Supporting services: General and administrative Marketing and fundraising	7,872,225 2,117,922	918,135 505,010		(369,300) (4,782)	8,421,060 2,618,150	7,624,531 2,621,882
Total supporting services	9,990,147	1,423,145		(374,082)	11,039,210	10,246,413
Total expenses	50,953,391	15,801,814	339,807	(11,690,343)	55,404,669	44,039,460
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(586,900)	(2,720,056)	(829,218)		(4,136,174)	6,960,161
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS (Notes L and M):						
USOPC grants (Note 0)	956,715				956,715	1,150,000
Contributions		1,049,625			1,049,625	736,304
Investment income Less satisfied program		143			143	57
restrictions	(1,206,535)	(1,461,290)			(2,667,825)	(2,053,251)
CHANGE IN NET ASSETS WITH						
DONOR RESTRICTIONS	(249,820)	(411,522)	<u> </u>		(661,342)	(166,890)
CHANGE IN NET ASSETS	(836,720)	(3,131,578)	(829,218)		(4,797,516)	6,793,271
NET ASSETS, beginning of year	12,715,759	40,389,841	4,570,316	(750,000)	56,925,916	50,132,645
NET ASSETS, end of year	\$ 11,879,039	\$ 37,258,263	\$ 3,741,098	\$ (750,000)	\$ 52,128,400	\$ 56,925,916

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

Consolidated Statement of Functional Expenses

For the Year Ended August 31, 2022

(With Comparative Consolidated Totals for 2021)

	Membership			Plymouth				American	
	Services &	International	National Team	Arena	Player			Development	Adult
	Development	Programs	Development	Programs	Development	Officials	Coaching	Model	Hockey
Advertising & promotion	\$ 122,592	\$	\$	\$ 142,201	\$ 11,455	\$	\$	\$ 54,000	\$ 21,351
Audio/visual									
Bad debt	1,500								
Building rent									
Computer maintenance & support	49,638	185	(5,560)		100				
Contract services	215,207	132,027	475,612	121,223	32,619	69,425	104,503	22,892	124,960
Corporate sponsor - VIK		293,500	121,441		59,613		7,000		
Cost of goods sold				277,469					
Depreciation & amortization	106,372	40,012	90,208	940,197		32,718	77,734	45,461	9,156
Dues & subscriptions	41,954	116,582	8,295	7,718	736	23,831	1,899	3,277	
Employee benefits	457,183	200,706	379,558	131,303	959	152,452	98,073	313,177	23,965
Equipment	14,066	657,148	23,886	140,748	7,402	48,021	11,314	8,782	37,772
Game costs				133,780					
Grants		1,987,003			1,733,386				
Honoraria		2,130,885	323,934		197,506	385,423	265,063	600	4,680
Ice rental	1,807	80,660	865		95,598	72,382	12,453	350	162,991
Insurance	7,323,298	120,297		89,935	•	· ·	·		·
Interest	, ,			256,984					
Investment & bank fees				54,353					
League expenses				78,923					
Other	696,716	122,302	3,438	17,948	30,767	95,405	54,285	824	16,282
Payroll taxes	131,076	63,461	94,919	65,410	/	42,123	17,648	76,193	3,860
Postage & freight	561,615	387,366	5,438	2,207	32,527	258,041	4,622	2,259	8,507
Printing & publications	342,760	827	1,151	4,337	10,262	103,802	21,465	2,255	3,137
Professional fees	542,700	027	1,131	51,963	10,202	103,002	21,403		3,137
Property tax				306,311					
Repairs & maintenance			2,928	300,311			485		
Salaries	1,689,950	886,384	1,312,024	1,033,519		536,602	226,151	993,276	50,421
Seminars & education	1,009,930	000,304	1,312,024	89,110		550,002	220,131	333,210	30,421
Special events				98,222					
Supplies	8,240	152,486	298,726	76,701	35,410	18,007	7,646	1,762	4,512
Support for STAR	0,240	152,400	290,720	76,701	35,410	10,007	7,040	1,702	4,512
Telephone	32,015	20.000	14,724	22,764	207	19,475	3,909	6,198	558
Travel		39,902							
	182,523	4,347,794	680,346	3,507	1,370,669	995,718	234,781	237,916	94,535
Trophies & awards	3,425	96,596	8,075	500	3,536	67,958	9,780	294	97,480
Uniforms	233,835	179,932	2,486	692	80,270	47,430	7,292	9,691	604
Utilities				533,139					1,021
Vehicle expenses									
Total expenses by function	12,215,772	12,036,055	3,842,494	4,680,664	3,703,022	2,968,813	1,166,103	1,776,952	665,792
Less expenses included with revenue									
on the statement of activities				(1,210,603)					
Total expenses included in the									
expense section on the									
statement of activities	\$ 12,215,772	\$ 12,036,055	\$ 3,842,494	\$ 3,470,061	\$ 3,703,022	\$ 2,968,813	\$ 1,166,103	\$ 1,776,952	\$ 665,792

	Annual							
	Congress/						2022	2021
	Mid-Winter	Youth	Junior		General &	Marketing &	Consolidated	Consolidated
	Meetings	Program	Program	Total	<u>Administrative</u>	Fundraising	Total Expenses	Total Expenses
Advertising & promotion	\$	\$	\$ 2,7	700 \$ 354,299	\$ 36,082	\$ 286,261	\$ 676,642	\$ 259,861
Audio/visual	215,764			215,764			215,764	
Bad debt				1,500	2,000	75,000	78,500	39,639
Building rent					93,854		93,854	90,131
Computer maintenance & support				44,363	286,798		331,161	243,254
Contract services	10,725	1,300		1,310,493	697,694	284,512	2,292,699	2,369,555
Corporate sponsor - VIK		6,000		487,554	8,000	62,255	557,809	267,502
Cost of goods sold				277,469	434,104		711,573	536,258
Depreciation & amortization				1,341,858	171,815		1,513,673	1,605,932
Dues & subscriptions			8	335 205,127	49,775	21,637	276,539	132,187
Employee benefits		96,835		1,854,211	1,363,614	195,752	3,413,577	3,405,074
Equipment	495	1,293		950,927	203,336	9,841	1,164,104	619,435
Game costs				133,780			133,780	109,119
Grants			506,0		10,000		4,236,389	4,227,657
Honoraria				3,308,091	1,500	250	3,309,841	2,414,957
Ice rental				427,106	170,764	31,239	629,109	208,477
Insurance				7,533,530	418,126	2,082	7,953,738	5,901,541
Interest				256,984			256,984	300,760
Investment & bank fees				54,353	122,271	4,397	181,021	115,373
League expenses				78,923			78,923	68,736
Other	2,007			1,039,974	343,908	43,747	1,427,629	1,170,295
Payroll taxes		41,434		536,124	222,291	58,434	816,849	807,885
Postage & freight	3,733	3,282	3	1,269,996	25,419	12,314	1,307,729	775,280
Printing & publications	2,270	136		490,147	19,345	4,186	513,678	321,018
Professional fees				51,963	543,492	40,745	636,200	741,390
Property tax				306,311			306,311	305,439
Repairs & maintenance				3,413	88,456		91,869	81,939
Salaries		501,561		7,229,888	2,874,286	840,049	10,944,223	11,110,129
Seminars & education				89,110			89,110	
Special events				98,222			98,222	36,452
Supplies	2,546	840		29 606,905	76,081	15,167	698,153	649,691
Support for STAR					125,000		125,000	125,000
Telephone	52	2,198		142,002	67,551	2,547	212,100	185,333
Travel	978,106	40,227	9,4	178 9,175,600	259,979	593,429	10,029,008	5,300,694
Trophies & awards	11,640	78,295		377,079	30,118	18,042	425,239	212,561
Uniforms			2	215 562,447		16,264	578,711	261,589
Utilities				534,160	96,612		630,772	546,055
Vehicle expenses					12,893		12,893	15,429
Total expenses by function	1,227,338	773,401	519,6	45,576,062	8,855,164	2,618,150	57,049,376	45,561,627
Less expenses included with revenue								
on the statement of activities				(1,210,603	(434,104)		(1,644,707)	(1,522,164)
Total expenses included in the								
expense section on the								
statement of activities	\$ 1,227,338	\$ 773,401	\$ 519,6	556 \$ 44,365,459	\$ 8,421,060	\$ 2,618,150	\$ 55,404,669	\$ 44,039,463
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USA HOCKEY FOUNDATION AND SUBSIDIARIES HOCKEY AND RINK PROTECTION, INC.

Consolidating Statement of Cash Flows

For the Year Ended August 31, 2022

(With Comparative Consolidated Totals for 2021)

USA Hockey

	USA	USA Foundation and Hocke		Hockey and Rink Eliminating		Consolidated
	Hockey, Inc.	Subsidiaries	Protection, Inc.	Entries	Totals 2022	Totals 2021
CASH FLOWS FROM OPERATING ACTIVITIES:						
Change in net assets	\$ (836,720)	\$ (3,131,578)	\$ (829,218)		\$ (4,797,516)	\$ 6,793,271
Adjustments to reconcile change in						
net assets to net cash provided						
(used) by operating activities:						
Depreciation and amortization	565,428	948,245			1,513,673	1,605,932
PPP loan forgiveness		(505,176)			(505,176)	(2,727,219)
Amortization of bond issuance costs		4,143			4,143	7,356
Loss on extinguishment of debt		89,760			89,760	
Realized (gains) losses on investments		(1,561,211)	67,468		(1,493,743)	(1,084,250)
Unrealized (gains) losses						
on investments		4,578,908	1,176,925		5,755,833	(2,686,084)
Decrease (increase) in assets:						
Accounts receivable	(5,859)	(206,092)			(211,951)	9,676
Grants receivable		985,148			985,148	(716,830)
Pledges receivable		50,000			50,000	160,539
Due from USOPC	333,000				333,000	(23,000)
Inventory		4,683			4,683	20,813
Grants receivable from USA						
Hockey Foundation	1,139,067			(1,139,067)		
Prepaid expenses	512,691	(186,469)			326,222	29,547
Other assets			(4,511)		(4,511)	(195,893)
Increase (decrease) in liabilities:						
Accounts payable and						
accrued liabilities	1,509,541	59,036	(246,879)		1,321,698	523,971
Accrued payroll and						
related benefits	(19,194)				(19,194)	260,393
Deferred revenue	5,068,840	(103,845)			4,964,995	3,496,819
Proceeds from PPP loan						505,175
Grants payable to USA Hockey,						
Inc.		(1,139,067)		1,139,067		
Total adjustments	9,103,514	3,018,063	993,003		13,114,580	(813,055)
Net cash provided (used) by						
operating activities	8,266,794	(113,515)	163,785		8,317,064	5,980,216

CASH FLOWS FROM INVESTING ACTIVITIES:						
Acquisition of property and						
equipment	(306,937)	(373,137)			(680,074)	(451,176)
Additions to and withdrawals from						
investments, net		2,192,146			2,192,146	(6,117)
Purchase of long-term and available						
for sale investments		(7,715,274)	(1,463,933)		(9,179,207)	(3,356,082)
Proceeds from long-term and available						
for sale investments		7,456,062	1,236,187		8,692,249	3,414,711
Net cash provided (used) by						
investing activities	(306,937)	1,559,797	(227,746)		1,025,114	(398,664)
CASH FLOWS FROM FINANCING ACTIVITIES:	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	, , .	, , ,		, ,	, , , , , , , , , , , , , , , , , , , ,
Due to/from USA Hockey, Inc.		(348,049)		348,049		
Due to/from USA Hockey Foundation	348,049	(340,049)		(348,049)		
Bond issuance and debt extinguishment	340,043			(340,049)		
costs insurred		(54,066)			(54,066)	
Principal payments on bonds payable		(1,036,410)			(1,036,410)	(913,734)
riincipai payments on bonds payable		(1,030,410)			(1,030,410)	()13,734)
Net cash provided (used) by						
financing activities	348,049	(1,438,525)			(1,090,476)	(913,734)
NET INCREASE (DECREASE) IN CASH	8,307,906	7,757	(63,961)		8,251,702	4,667,818
CASH AND CASH EQUIVALENTS,						
beginning of year	21,906,850	2,658,233	159,137		24,724,220	20,056,402
CACH AND CACH FOUTURE DAME			· · · · · · · · · · · · · · · · · · ·			
CASH AND CASH EQUIVALENTS, end of year	č 20 214 756	\$ 2,665,990	ė 0F 176	č	č 22 07E 022	ė 24 724 220
end or year	\$ 30,214,756	ş <u>2,005,990</u>	\$ 95,176	ş	\$ 32,975,922	\$ 24,724,220

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

Notes to Consolidating Financial Statements For the Year Ended August 31, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of USA Hockey, Inc. (the Corporation) are being presented on a consolidated basis with the USA Hockey Foundation (the Foundation) and subsidiaries and Hockey and Rink Protection, Inc. (HARP) 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

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

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Organization - continued

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

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.

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, 2022.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

<u>Investments</u>

The Corporation and the Foundation account for their investments in accordance with FASB ASC 958, "Not-for-Profit Entities". and A11 of the Corporation Foundation investments are recorded guoted at market values. Unrealized gains and losses are reported as revenue in the accompanying Consolidating Statement of Activities 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.

Accounts Receivable

Accounts receivable recognized by the Corporation and the Foundation include amounts from contracts with customers. Receivables from contracts with customers at the beginning and end of the period were \$1,768,832 and \$1,522,722, respectively.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2022 and 2021.

<u>Inventory</u>

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

<u>Depreciation and Amortization</u>

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 \$10,000 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 10 years for furniture and equipment and 50 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 15 years.

Intangible expenditures exceeding \$10,000 are capitalized and amortized over the appropriate term according to the Foundation's policies.

Depreciation and amortization expense amounted to \$1,513,673 and \$1,605,932 for the years ended August 31, 2022 and 2021, respectively.

Supplemental Cash Flow Disclosure

Cash flows from operating activities reflect interest paid \$248,957 and \$290,945 for the years ended August 31, 2022 and 2021, respectively. No income taxes were paid during either year.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Revenue

Deferred revenue, a contract liability, recognized by the Corporation and the 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 \$17,320,259 and \$22,389,099, 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 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 (NHL) grants are considered contributions. Government programs that qualify as grants, including Paycheck Protection Program loan forgiveness and Employee Retention Credits, are considered contributions.

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 the Corporation'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 limitedhistorical 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reserve for Unpaid Losses - continued

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

<u>Membership registrations and dues</u> - 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.

<u>Corporate sponsorship</u> - The Corporation recognizes revenue from contracts with both sponsors and suppliers of the Corporation. 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.

 $\underline{\textit{Tournaments}}$ and $\underline{\textit{exhibitions}}$ - 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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Plymouth Income - continued:

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 the Corporation and leases restaurant and concession space to Beck Road, pursuant to respective lease agreements. Note O goes on to further describe this revenue source from contracts with customers.

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers - continued

Plymouth Income - continued:

Plymouth AC sells season and general admission tickets to the developmental national team games. At times Plymouth AC 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.

Advertising - The Corporation and the 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 the Foundation recognize revenue over time. The Corporation and the 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, 2022 and 2021.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Expenses

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

Use of Estimates in Preparation of Financial Statements

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

Prior-Year Comparisons

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 the United States of America. Accordingly, information should conjunction with be readin Corporation's, the Foundation and Subsidiaries', and HARP's financial statements for the year ended August 31, 2021, from which the summarized information was derived.

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

Date of Management's Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 2, 2022, the date that the financial statements were available to be issued.

B. AVAILABLE RESOURCES AND LIQUIDITY

The Corporation, the 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	\$	32,975,922
Accounts and grants receivable		3,522,856
Pledges receivable - current		50,000
Due from USOPC		934,000
Short-term investments		4,973,111
		42,455,889
Less assets with donor restrictions:		
Donor restrictions - temporary in nature		3,372,454
Donor restrictions - perpetual in nature	_	172,376
Financial assets available within one year	\$	38,911,059

The Corporation and the 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 the 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 the Foundation.

C. IN-KIND DONATIONS

During the year ended August 31, 2022, the Corporation adopted Accounting Standards Update (ASU) 2020-07, Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets.

Corporation may record various types of in-kind The contributions when received. Contributed services are recognized if the services received create or enhance longlived assets or require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. to Contributions of tangible assets are recognized at fair

C. IN-KIND DONATIONS - Continued

value when received. The Corporation has numerous volunteers, however there were no contributed services that met the above definition during the years ended August 31, 2022 and 2021. The Corporation received the following gifts-in-kind during the years ended August 31, 2022 and 2021:

		<u>2022</u>	<u>2021</u>
Apparel, equipment & supplies Airline vouchers	\$	549,810 8,000	\$ 113,328 154,174
	<u>\$</u>	557,810	\$ 267,502

D. FAIR VALUE MEASUREMENTS

The Corporation, the 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.

D. 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 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, 2022 and 2021.

The following tables present assets that are measured at fair value on a recurring basis at August 31, 2022 and 2021:

Assets at Fair Value as of August 31, 2022								
			Level 1		Level 2	Level 3		Total
Money market Equity securities:		\$	37,457	\$		\$	\$	37,457
Equitites			7,905,855					7,905,855
Mutual funds			4,973,111					4,973,111
Debt securities:			4 005 040					4 005 040
Fixed income Other investments:			4,935,012					4,935,012
Private equity LP						1,146,842		1,146,842
USOE pooled fund				_	2,289,321			2,289,321
		\$	17,851,435	\$	2,289,321	\$	\$	21,287,598
	Assets	at	Fair Value	as (of August 31	, 2021		
			Level 1		Level 2	Level 3		Total
Money market Equity securities:		\$	298,680	\$		\$	\$	298,680
Equitites			11,168,147					11,168,147
Mutual funds			5,989,758					5,989,758
Debt securities: Fixed income			6,010,197					6,010,197
Other investments:			0,010,197					6,010,197
Private equity LP						1,315,814		1,315,814
USOE pooled fund		_			2,472,279			2,472,279
		\$	23,466,782	\$	2,472,279	<u>\$ 1,315,814</u>	\$	27,254,875

Fair values for assets in Level 2 are calculated using the statements provided by the United States Olympic Endowment (USOE) for the Foundation's portion of the pooled portfolio managed by the USOE. The USOE investment consist of units

D. FAIR VALUE MEASUREMENTS - Continued

in a pooled portfolio managed by the USOE.

At August 31, 2022, the USOE portfolio consisted of the following types of securities:

Alternative investments	39.41%
Domestic equitites	26.80%
International equitites	15.71%
Domestic bonds	15.38%
Cash and cash equivalents	<u>2.70</u> %
	100.00%

The process of measuring assets at fair value using significant unobservable inputs (Level 3) involves reliance on information provided by Chief Investment Officers, Hirtle Callaghan & Co., for the Select Equity Fund II LP. There were no purchases or transfers in Level 3 assets during the years ending August 31, 2022 and 2021.

The reconciliation of changes in value of Level 3 investments for the years ended August 31, 2022 and 2021 is as follows:

Fair value of Select Equity Fund II LP as of September 1, 2020	\$ 1,000,000
Unrealized gain included in the statement of activities, investment income, for the year	
ending August 31, 2021 Fair value of Select Equity Fund II LP	 315,814
as of August 31, 2021	1,315,814
Unrealized loss included in the statement of activities, investment income, for the year	
ending August 31, 2022	 (168,972)
Fair value of Select Equity Fund II LP as of August 31, 2022	\$ 1,146,842

The other 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 \$4,973,111 and \$5,989,758 at August 31, 2022 and 2021, respectively.

Some investments are exposed to various risks that may cause reported fair values to fluctuate from period to period and

D. FAIR VALUE MEASUREMENTS - Continued

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 The values of debt securities fluctuate economy. response to changing interest rates, credit worthiness of issuers, and overall economic policies that impact market conditions. The values of certain investments, such as hedge funds, can fluctuate in response to direct market conditions and other factors that may or may not have a high correlation to overall market direction.

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

E. PLEDGES RECEIVABLE

As of August 31, 2022, the Foundation had net pledges receivable of \$50,000, representing unconditional promises to give made during the current and prior years. The pledge is scheduled to be received by the Foundation during the year ended August 31, 2023. Long-term portions of the pledges are discounted using a discount rate of 2.00%. There were no discount on pledges receivable at August 31, 2022 and 2021.

F. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2022 and 2021:

	2022	<u>2021</u>
Buildings and improvements	\$ 31,222,070	\$ 30,728,971
Equipment, furniture, and technology	9,166,143	9,096,752
Land	3,295,000	3,295,000
Program equipment	800,616	715,298
Less accumulated depreciation	 (15,773,280)	(14,326,704)
	\$ 28,710,549	\$ 29,509,317

G. OTHER ASSETS

Intangible assets at August 31, 2022 include start-up costs and licenses incurred by the Foundation and subsidiaries of \$522,453 less amortization of \$258,323. 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 held by the Foundation.

H. DEFERRED REVENUE

Deferred revenue consists of the following at August 31, 2022 and 2021:

	2022	<u>2021</u>
Registrations and tournament fees	\$ 21,818,280	\$ 16,792,920
Sponsor payment	228,750	250,000
Referee development support fee	201,105	154,070
Plymouth Arena programs	198,798	323,595
Transfer card fees	65,400	21,000
Insurance proceeds	64,969	64,969
Beck Road programs	15,678	14,001
Other	10,380	8,860
Seminar and clinic fees	 215	9,165
	\$ 22,603,575	\$ 17,638,580

I. PAYCHECK PROTECTION PROGRAM

In February and April 2021, respectively, Foundation subsidiaries Beck Road and Plymouth AC received loans from TCF National Bank through the Small Business Administration's (SBA) PPP. During the year ended August 31, 2022, the Organizations met the criteria for forgiveness of the loans and received confirmation from the SBA that they qualified for full loan forgiveness. The following loans received by each entity are included in the statement of activities as PPP grant income as of August 31, 2022.

Beck Road Concessions	\$ 254,358
Plymouth AC	 250,838
	\$ 505,196

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 the Corporation. 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 \$1,146,842, held in a custodial account at US Bank. The Foundation has issued a quarantee of the loan to Plymouth AC.

The Foundation, Plymouth AC and the Corporation 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.

On December 1, 2021, the outstanding balance of Series 2015A of \$9,206,261 was reissued as Series 2015A (2021 Reissuance)

J. BONDS PAYABLE - Continued

The reissuance extended the maturity date to April 1, 2030 and provided a new SOFR Index Rate Period. The initial interest rate is 2.75%.

At August 31, 2022 and 2021, the face amounts of the bonds were \$8,511,573 and \$9,547,983, respectively, and the unamortized debt issuance costs were \$23,305 and \$63,143, respectively.

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

2023	Ś	1,065,737
2024	*	1,095,007
2025		1,111,946
2026		1,062,973
2027		1,095,069
Thereafter		3,080,841

K. MEMBER EQUITY

In accordance with the requirements of the Vermont Department of Financial Regulation (the Department), HARP must maintain a minimum capital and surplus of \$250,000. As of August 31, 2022 and 2021, HARP has met the minimum capital requirement. Prior to distributions being paid to the Corporation, HARP must receive written approval from the Department. A member distribution was not declared nor paid during the years ended August 31, 2022 and 2021.

There were no material differences between the audited financial statements and the annual reports filed with the Department for the years ended August 31, 2022 and 2021.

L. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY IN NATURE

Net assets with donor restrictions - temporary in nature at August 31, 2022 and 2021, consist of the following:

	2022		<u>2021</u>
Friends of Women's Hockey	\$ 431,407	\$	506,181
James Johannson Legacy Fund	423,274	-	422,622
Youth hockey	353,687		309,839
National Team development	339,655		339,655
Membership relief fund	251,663		181,265
Patty Kazmaier Memorial	232,716		232,716
B. Burke Internship	194,834		193,815
Starts with a Stick	181,882		181,657
USOPC grants	162,000		411,820
Ron DeGregorio Goaltending Fund	156,817		148,502
Brianna Decker Endowment Fund	152,558		139,631
Raise the Flag Campaign	94,054		547,348
Disabled athlete program	88,011		89,616
Walter Bush fund	65,476		90,065
Try Hockey for Free Equipment	55,556		55,556
Junior Goaltending Camp - Plymouth MI	50,000		50,000
Resource library	33,885		33,885
Disabled youth program	25,000		25,000
Pass It Forward	17,863		17,863
Sled Hockey Team - Paralympic	12,410		10,228
Wounded Warriors/disabled program	10,461		12,040
Heads Up Don't Duck program	10,000		10,000
Rink conversion program	8,511		8,511
Brian Fishman Memorial	7,732		7,608
Hockey Hispana	5,000		
Women's Sled Hockey Team	4,550		4,050
International player development	1,750		1,750
Underprivileged children	1,702		1,702
Special Hockey National Team			1,510
Grow the Game			511
USA Hockey Hall of Fame			150
Referee program			100
Safety programs	 		100
	\$ 3,372,454	\$	4,035,296

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

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

During the years ended August 31, 2022 and 2021, net assets were released from restrictions by satisfying the following restricted purposes:

	2022	<u>2021</u>
USOPC high performance funding	\$ 1,206,535	\$ 1,807,983
Raise the Flag Campaign	1,198,300	62,500
Friends of Women's Hockey	100,000	100,000
Membership relief fund	42,898	47,222
Disabled hockey	30,306	
Walter Bush Fund	24,589	
Ron DeGregorio Goaltending Fund	20,000	12,000
Brianna Decker Endowment Fund	16,091	5,000
Wounded Warrior	10,500	
Blind hockey	5,735	200
James Johannson Legacy Fund	5,000	5,000
Youth hockey	4,500	3,000
Special Hockey National Team	1,510	
American Development Model	1,000	
Grow the Game	511	
USA Hockey Hall of Fame	150	
Referee program	100	
Safety programs	100	
Darian Locklear Memorial Fund		6,700
Patty Kazmaier Memorial	 	 3,646
	\$ 2,667,825	\$ 2,053,251

M. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL IN NATURE

Net assets with donor restrictions - perpetual in nature for the Foundation at August 31, 2022, consist entirely of the Brian Fishman Memorial fund, which is restricted in perpetuity (Note N).

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, 2022 and 2021, 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.

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 endowment gifts 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, 2022, 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.

N. ENDOWMENT FUNDS - Continued

Composition of Endowment - continued

				Temporarily Restricted		-	petually stricted		Total
Endowment net assets, Contributions	August	31,	2020	\$	7,570	\$	170,876	\$	178,446
Investment income					38	-		-	38
Endowment net assets, Contributions	August	31,	2021		7,608		170,876 1,500		178,484 1,500
Investment income					124				124
Endowment net assets,	August	31,	2022	\$	7,732	\$	172,376	\$	180,108

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.

O. AFFILIATED ORGANIZATIONS

The United States Olympic and Paralympic Committee (USOPC) provides grants to the Corporation for sports development, international competition, and team preparation.

O. AFFILIATED ORGANIZATIONS - Continued

Total grants from the USOPC for the years ended August 31, 2022 and 2021, consist of the following project categories:

	<u>2022</u>	<u>2021</u>
Women's high performance funding	\$ 1,112,000	\$ 1,150,000
Paralympic high performance funding Sport performance grant	400,000 29,400	400,000
Paralympic grants COVID-19 Relief	29,400	72,500 40,415
Other grants	 12,500	 9,944
Funds granted	1,553,900	1,672,859
Unspent funds returned Women's high performance Paralympic high performance	 (155,285) (281,000)	 (452,440)
	\$ 1,117,615	\$ 1,220,419

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, 2022 and 2021.

During the years ended August 31, 2022 and 2021, the International Ice Hockey Federation (IIHF) provided funding to the Corporation of \$2,712,245 and \$849,042, respectively. This amount is included in tournaments and exhibitions in the accompanying statement of activities.

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 10 years.

The Foundation leases an office building to the Corporation for \$30,625 per month, pursuant to the second amendment to a sublease agreement that expires December 31. 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 30 days prior to the expiration of the term. Rental income is shown net of rental expenses of \$64,772 and \$65,362 for the years ended August 31, 2022 and 2021, respectively.

O. AFFILIATED ORGANIZATIONS - Continued

During the years ended August 31, 2022 and 2021, the Foundation provided grants to the Corporation in the amount of \$10,442,845 and \$8,359,222, respectively. At August 31, 2022 and 2021, the Foundation owed \$2,513,799 and \$3,652,866, respectively, to the Corporation for grants.

The Corporation provides certain administrative and accounting services to the Foundation for an annual fee of \$1,800. At August 31, 2022 and 2021, the Foundation owed \$1,158,071 and \$1,245,325 to the Corporation, respectively, for other administrative costs.

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 \$868,412 and \$920,544 for the years ended August 31, 2022 and 2021, respectively.

At August 31, 2022 and 2021, Plymouth AC owed \$898,642 and \$942,983 to the Corporation, respectively, for costs. At August 31, 2022 and 2021, Beck Road owed \$259,429 and \$106,345 to the Corporation, respectively, for costs.

Plymouth AC provides ice time to the Corporation for various events and billed the Corporation \$231,182 and \$199,442 for the years ended August 31, 2022 and 2021, respectively. Beck Road provides food services to the Corporation for various events and billed the Corporation \$47,015 and \$119,587 for the years ended August 31, 2022 and 2021, respectively.

P. NATIONAL HOCKEY LEAGUE

The NHL 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.

O. INSURANCE ACTIVITY

HARP provides occurrence-based deductible reimbursement general liability coverage to USA Hockey, Inc. and its member leagues, organizations, team and individuals, USA Hockey affiliates and foundation (covered entities). For the policy periods during 2022 and 2021, policy limits were \$100,000 per occurrence with an annual aggregate of \$1,000,000 in 2021. There is no annual aggregate limit in 2022. The policy covers indemnity only and no loss adjustment expenses.

In 2022 and 2021, the Company provides a package policy for abuse, legal expense reimbursement sexual accident and sickness coverage to the Parent and its member leagues, organizations, teams and individuals, USA Hockey affiliates and USA Hockey foundation. The limits for excess policy are \$2,000,000 sexual abuse under this occurrence, with a \$2,000,000 per person aggregate. Legal expense reimbursement coverage under this policy is \$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.

The deductible reimbursement general liability coverage covers certified terrorism losses as defined under Terrorism Risk Insurance Act of 2002 (TRIA) and subsequent extensions of TRIA. TRIA provides for a system shared public and private compensation for insureds 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. The coverage provided by HARP is eligible under TRIA for coinsurance protection provided by the U.S. Treasury subject to a deductible equal to 20% of the company's prior year direct earned premiums. On December 20, 2019, TRIA was extended again by the U.S. Treasury through 2027 with a loss trigger of \$200 million and coinsurance protection of 80% for calendar year 2020 going forward. HARP retains both the deductible and its remaining share of the certified terrorism losses.

Q. INSURANCE ACTIVITY - continued

The Corporation maintained an arrangement with K&K Insurance Group (K&K) for claims administration and incurred all costs prior to the 2021 policy year. The Corporation entered into an arrangement with Safehold Special Risk for the 2021 policy year and future policyyears for claims administration and incurs all costs. Accordingly, HARP does not record any expenses or liabilities related to claims administration. As of August 31, 2022 and 2021, no losses payable or receivable were recorded. As of August 31, 2022, no losses payable or receivable were recorded. As of August 31, 2022 and 2021, the Company recorded a loss escrow deposit of \$200,364 and \$200,362 with K&K, which is to be used for payment of losses.

Activity in the liability for unpaid losses, for the years ended August 31, 2022 and 2021, is summarized as follows:

	2022	<u>2021</u>
Balance at the beginning of the year	\$ 1,748,382	\$ 1,834,364
Incurred related to: Current year Prior year	 261,230 (45,44 <u>6</u>)	278,843 (118,234)
Total incurred	215,784	160,609
Paid related to: Prior year	 (455,087)	 (246,591)
Total paid	 (455,087)	 (246,591)
Balance at the end of the year	\$ 1,509,079	\$ 1,748,382

The estimates for incurred losses on insured events in prior years decreased by \$45,446 and \$118,234 in 2022 and 2021, respectively, which was a result of favorable loss development related to the deductible reimbursement general liability policy years.

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 HARP's liability for unpaid losses and loss expenses. 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 historical including the internal data Corporation'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 present incurred and paid claims development, by accident year. Accident years prior to 2022 for incurred and paid losses as of August 31, 2022, represent supplementary information and are unaudited.

Q. INSURANCE ACTIVITY - Continued

Deductible Reimbursement General Liability:

Accident Year 20	13 2014	For the	Years Ended August 31, (Unaudited)	2018 2019	2020 2021	2022	Incurred-But- Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2013 \$ 3 2014 2015 2016 2017 2018 2019 2020 2021 2022	76,168 \$ 262,0 316,8		\$ 150,993	\$ 134,429 \$ 129,282 132,483 127,190 506,194 503,725 333,928 364,778 325,852 408,897 383,317 502,887 416,280	\$ 148,446 \$ 133,446 75,638 52,339 468,725 459,295 482,705 477,961 476,008 435,295 611,175 554,388 306,202 379,808 354,214 312,347 278,843	\$ 133,346 52,339 424,089 519,362 364,118 522,305 374,842 436,129 211,746 261,230	9,902 25,316 64,505 91,380 141,746 261,230	32 33 28 35 42 45 39 28 17
	Cu		Sees and Allocated Loss Adju Years Ended August 31, (Unaudited)	ıstment	Total	\$ 3,299,506	-	
Accident Year 20 2013 \$ 2014 2015 2016 2017 2018 2019	13 2014 8,440 \$ 20,8 14,3		2016 2017 \$ 33,346 \$ 33,346 14,339 14,339 100,089 170,089 17,254 31,363 9,041	2018 2019 \$ 33,346 \$ 33,346 14,339 29,339 200,089 224,089 36,863 36,863 43,216 166,716 2,901 114,214 5,249	2020 2021 \$ 33,346 \$ 33,346 52,339 52,339 424,089 424,089 144,363 144,363 279,216 279,216 121,989 271,989 30,249 90,249	2022 \$ 133,346 52,339 424,089 319,362 294,216 311,989 115,337	_	

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, 2022, and is unaudited:

(Unaudited)

1 st Year	2 nd Year	3 rd Year	4 th Year	5 th Year
4.5%	8.8%	12.7%	10.5%	5.7%
6 th Year	7 th Year	8 th Year	9 th Year	10 th Year
16.0%	19.4%	0.0%	0.0%	75.0%

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 \$54,274 and \$54,006 for August 31, 2022 and 2021, respectively. A director and officer of HARP is also an employee of Aon.

T. EMPLOYEE RETENTION CREDIT

During the year ending August 31, 2022, the Corporation and Foundation applied to the U.S. Department of Treasury, Internal Revenue Service (IRS), for refunds under the Employee Retention Credit (ERC) program. The credits cover employment tax quarters in calendar years 2020 and 2021. The ERC is considered a conditional grant and is not recorded until the final condition is met for approval by IRS.

T. EMPLOYEE RETENTION CREDIT - continued

During the year ended August 31, 2022, the Foundation and their subsidiaries Beck Road and Plymouth AC received notification of approval of ERC from the IRS in the amounts of \$102,570, \$138,979, and \$267,348, respectively. The credits received by each entity are included in the statement of activities as ERC grants for the year ended August 31, 2022.

As of August 31, 2022, the Corporation is awaiting notification of approval by the IRS of the ERC applications in the amount of \$2,127,905. As such, the anticipated amount of credit for the Corporation is considered an unrecorded conditional grant.

U. INVESTMENT INCOME

Investment income consists of the following for the years ended August 31:

	<u>2022</u>	<u>2021</u>
Unrealized gains (losses)		
on securities	\$ (5,755,833)	\$ 2,686,027
Realized gains on securities	1,493,743	1,084,250
Interest and dividends	894,294	416,270
Investment expenses	 (105,143)	 (88,648)
	\$ (3,472,939)	\$ 4,097,899

V. 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.

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

V. RETIREMENT PLAN - Continued

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, 2022 and 2021, amounted to \$657,447 and \$562,444, respectively.

The Foundation and its subsidiaries maintain a defined contribution, Section 403(b) retirement plan for its employees by enrolling them in the Corporation 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, 2022 and 2021, was \$94,636 and \$72,934, respectively.

W. 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.

X. COMMITMENTS AND CONTINGENT LIABILITIES

The Corporation has one operating lease agreement for a vehicle and a lease for warehouse space in Colorado Springs. The vehicle agreements expire in July 2024 and require payments of \$643 per month. The warehouse agreement was renewed in August 2018, to include an expanded area.

X. COMMITMENTS AND CONTINGENT LIABILITIES - Continued

The initial monthly rent is \$6,722 and includes annual rent increases. The lease expires in August 2023.

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

2023 \$ 102,129 2024 6,750

The Corporation's total rent expense amounted to \$98,527 and \$104,657, respectively, for the years ended August 31, 2022 and 2021.

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 the normal 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, 2022, are either without merit or will not exceed insurance limits.

Y. UNCERTAINTIES

The outbreak of COVID-19 (the COVID-19 outbreak) 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 outbreak has had a notable impact on general economic conditions, including but not limited to the 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 outbreak will affect the operations, collections, or financial results of the Organizations is uncertain.

With the rising cost of inflation and potential risk of recession, it is uncertain what effect these factors may have on operations of the Corporation in the coming year.