

October 3, 2022

Mr. Pat Kelleher, Executive Director  
USA Hockey, Inc.  
1775 Bob Johnson Drive  
Colorado Springs, CO 80906

Dear Pat:

This letter reports the results and findings of our recent field visit involving the Michigan Affiliate, the Michigan Amateur Hockey Association. In this letter, we have included our recommendations to the Michigan Affiliate regarding its operating procedures and other matters.

MICHIGAN AMATEUR HOCKEY ASSOCIATION

On August 23, 2022, Kelly Mahncke and I met with George Atkinson, President, and Jim Cosgrove, Treasurer, and Steve Peacock, Audit Committee Chair via ZOOM. George has been the President for approximately fifteen years, Jim has been the Treasurer for approximately four years and Steve has been the chair of the audit committee for approximately four years.

The Michigan Affiliate was incorporated in May 1964 and received its 501(c)(3) status from the Internal Revenue Service in May 1997. The Affiliate uses an April 30 fiscal year end. The Michigan Affiliate has approximately 37,400 players and 4,100 coaches. It charges a fee of \$8.00 for registrants between the ages 7 and 19 and \$5.00 for registrants over age 19. The Michigan Affiliate's revenue and expenses, including district activity, for the fiscal year ended April 30, 2022, are as follows:

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Other	56,162
Jamboree income	40,680
High school program	36,605
Donations	1,625
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Total revenue	1,102,123

EXPENSES:

Tournament expense	228,235
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Wages	73,065
Meetings	48,659
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Mite Jamboree	40,311
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Coaching programs	8,217
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Commissions	7,521
Advertising & promotion	6,606
Payroll taxes	6,347
Disabled ice sports	3,970
Insurance	3,663
Other expenses	3,043
Referee programs	2,384
Equipment	2,373
Apparel	2,324
Disabled ice sports	1,000
Goalie camp	<u>1,000</u>
Total expenses	<u>952,112</u>
Change in net assets	<u>\$ 150,011</u>

The Affiliate's \$557,740 of net assets at April 30, 2022, consist of \$441,499 in cash, \$114,372 in investments, and \$5,680 in prepaid expenses, less accrued expenses in the amount of \$3,811.

*Internal Control:*

The Affiliate's player registrations are collected on the USA Hockey website and wire transferred to the Affiliate's bank account. The cash transferred by USA Hockey for the 2021-2022 season reconciles to the number of registered players times the respective fees charged by the Affiliate within an acceptable variance.

The Board President, Treasurer, and Secretary are authorized signers on the Affiliate's checking and savings accounts. The

Affiliate had separate District checking accounts administered by District volunteers. These accounts have all been closed.

Only one signature is required for all levels of activity. The President, Treasurer, and Secretary all have online access to the checking account. The President and audit committee automatically receive the check register at the close of each month.

When an invoice is presented for payment, if the expense is budgeted, the treasurer initiates a payment to the vendor. Expense reimbursement requests from other individuals are entered into an online reporting system which routes to the appropriate individual for approval. A second approval is processed by either the Treasurer or the President and then payment is processed. District Directors and Program Directors approve their respective event expenses. The President approves all officer reimbursement request except those submitted by him, which are approved by the Secretary. The Treasurer approves administrative invoices and issues checks for the Affiliate. Four credit cards have been issued and are used for some Affiliate purchases. The overall limit of these cards is \$25,000. Credit card charges are documented on expense reports with receipts attached.

The Treasurer maintains the financial records, utilizing QuickBooks Online accounting software. The Treasurer performs the monthly bank reconciliations, and in our review they appear accurate. Multiple levels of controls have been implemented for ACH transactions, both incoming and outgoing. The Treasurer believes that there is no ability to initiate a wire transfer. A copy of checks written is uploaded to the bank, and if a check is presented for payment that is not on the list, the bank will not pay the check.

The Treasurer presents a balance sheet, comparative year to date income statements, budget to actual comparisons for district and state budgets to the Board monthly. In addition, a check register, bank reconciliation and cash receipts report are distributed monthly to the audit committee.

The Affiliate engages an Independent Certified Public Accountant to perform an annual audit of the financial statements.

No significant equipment is owned by the Affiliate.

*Compliance:*

We selected ten vendor invoices and traced the payments through the accounting system to determine whether the internal controls described above were in fact in place. We did not note any exceptions.

The President and Treasurer represented that no other bank accounts exist other than what is reported in the Affiliate's audited financial statements.

No knowledge of actual or alleged fraudulent activity was noted which presents any financial risk to the Affiliate.

The Treasurer monitors the requirements and prepares the annual Forms 1099-NEC. For calendar year 2021, 56 1099-NEC forms were filed. The Affiliate currently has one employee, and the appropriate employment forms were filed by the Affiliate.

The Independent Certified Public Accountant also prepares the Affiliate's Form 990 tax return. For the years ended April 30, 2022, 2021, and 2020, the Form 990 tax returns were timely filed, assuming all extensions were filed when necessary.

The Affiliate's corporate registration is in good standing with the State of Michigan. The Affiliate is also current with the charitable solicitation registration requirement in the State of Michigan.

The Affiliate does not typically make payments to the District RIC, but it was noted that at times the District CIC may submit an expense reimbursement report for items outside the budget of USA Hockey. It was noted that as these transactions occur, the appropriate individual at USA Hockey is notified.

The Affiliate President and Treasurer represented the block grant has been used for its intended purpose and reports have been submitted to USA Hockey; however, they have not always been sent in a timely manner.

*Governance:*

No related party transactions were noted however, there are some related individuals serving on the Affiliate's Board.

The Affiliate has adopted a conflict-of-interest policy. Annual disclosures are required which are actively monitored.

The Affiliate has also adopted whistleblower and records retention policies.

The Board meeting minutes, annual audited financial statements, and the Form 990 are all posted on the Affiliate website.

The Affiliate has obtained additional crime coverage over the amount provided through USA Hockey's crime policy.

The Affiliate awards grants based on applications received by the One Goal Committee. Receipts are required prior to disbursing funds if the applicant has purchased the equipment. A Scholarship Fund Committee reviews applications for the scholarship program to determine eligibility.

George and Jim signed our standard representation letter indicating that they were not aware of any fraud occurring within the past few years, they had no other bank accounts other than the accounts reported in the accounting records, and they have not charged fees or received any sources of income other than those reported in the accounting records.

#### RECOMMENDATIONS TO MICHIGAN AMATEUR HOCKEY ASSOCIATION

We offer the following recommendations to the Michigan Affiliate:

1. As part of our procedures, we reviewed Form 990 for the year ended April 30, 2021 and noted a few items that the Affiliate should review prior to filing their next return. Items noted in our overview were:
  - a. Part I, Line 7a indicates that there is no unrelated business income, which is consistent with reporting in Part VIII; however, Schedule A indicates that there was a small amount of net income from unrelated business activities. This income should be consistently reported throughout the return.
  - b. Revenue reported in Part II should match the revenue reported in Part VIII, Column B.
  - c. Grants reported in Part III should include both grants to individuals and entities, the total should match the amounts listed in Part VIII, Lines 1 and 2.
  - d. Schedule I, Part IV should be completed to indicate how the Affiliate monitors grant funds.

- e. Both Part I and Part III indicate that activities and the mission of the Affiliate are described in Schedule O, however Schedule O does not include this important information.
  - f. The Affiliate should review the job description of the paid employee to determine if he meets the criteria in the Form 990 instructions which would require him to be included in Part VII of the return.
  - g. Schedule A amounts do not match amounts on Part VIII. This should be reviewed and determine what these discrepancies relate to and adjust the amounts reported. Also, the block grant amounts are included on line 7a as contributions from disqualified contributors. As 501(c)(3) organizations, these entities are not considered disqualified.
  - h. Part VI, Line 19 requires narrative to be included on Schedule O to describe how information is distributed, but this required disclosure is not included on Schedule O.
2. The Affiliate should continue to notify the appropriate department of USA Hockey of any payments or support given to someone in a position to submit reimbursement requests to USA Hockey, including the District RIC and CIC.

The Michigan Affiliate should follow up with Kelly Mahncke in writing within 30 days of receiving this report to provide the status of implementing these recommendations. We also encourage a member of the Affiliate's internal accounting review committee or another independent member to contact us directly and discuss the conduct of this field visit should there be any questions.

\* \* \* \* \*

In closing, we would like to acknowledge the excellent cooperation we received during this field visit. We welcome the opportunity to discuss these matters in more detail.

Sincerely,

WAUGH & GOODWIN, LLP

*Jill J. Goodwin*

Jill J. Goodwin



# Michigan Amateur Hockey Association

SENT VIA EMAIL TO: [Kelly.mahncke@usahockey.org](mailto:Kelly.mahncke@usahockey.org)

November 15, 2022

Kelly Mahncke  
USA Hockey, Inc.  
1775 Bob Johnson Drive  
Colorado Springs, CO 80906-4090

Dear Ms. Mahncke,

I hope this letter finds you well and that you are having a good day.

This letter is in response to the letter dated October 3, 2022, from Jill Goodwin of Waugh and Goodwin to Mr. Pat Kelleher, Executive Director of USA Hockey, Inc., a copy of which is attached.

The responses to the previously mentioned letter will follow in the same order as presented on page 5 of the October 3<sup>rd</sup> letter under the caption "Recommendations To Michigan Amateur Hockey Association" – the introduction paragraph indicates that the review was of the 4/30/21 form 990. The form 990 for the fiscal year ended 4/30/22 was available during the performance of the procedures. It is not clear if the form reviewed was for the 4/30/21 or the 4/30/22 year end. Clarification on this matter would be helpful:

#### **Recommendation 1.a. –**

Part I, Line 7a indicates that there is no unrelated business income, which is consistent with reporting in Part VIII; however, Schedule A indicates that there was a small amount of net income from unrelated business activities. This income should be consistently reported throughout the return.

#### **Affiliate Response**

In consultation with the Affiliate's auditors, they will watch for this in subsequent 990 filings and will consider this recommendation when completing the Affiliate's 990 going forward. An amended 990 will not be filed for the year ended April 30, 2022.

#### **Recommendation 1.b. –**

Revenue reported in Part II should match the revenue reported in Part VIII, Column B.



**Affiliate Response**

Part II of form 990 does not report any revenue. If the recommendation was referring to Part I, Part VIII, column A does tie to each other. Please advise if there is something here that we are missing.

**Recommendation 1.c. –**

Grants reported in Part III should include both grants to individuals and entities, the total should match the amounts listed in Part VIII, Lines 1 and 2.

**Affiliate Response**

In consultation with the Affiliate's auditors, the recommendation seems unclear. Part VIII does not report grants. If the recommendation was to have Part IX tie to Part III, our Auditors will make that change going forward. An amended 990 will not be filed for the year ended April 30, 2022.

**Recommendation 1.d. –**

Schedule I, Part IV should be completed to indicate how the Affiliate monitors grant funds.

**Affiliate Response**

In consultation with the Affiliate's auditors, the verbiage will be added to Schedule I, Part IV which is reserved for the answers to Question 2 in Part I of Schedule I in subsequent filings of form 990. An amended 990 will not be filed for the year ended April 30, 2022.

**Recommendation 1.e. –**

Both Part I and Part III indicate that activities and the mission of the Affiliate are described in Schedule O, however Schedule O does not include this important information.

**Affiliate Response**

In consultation with the Affiliate's auditors, the necessary verbiage will be added to Schedule O which includes the Activities and Mission of the Affiliate in subsequent filings. An amended 990 will not be filed for the year ended April 30, 2022.

**Recommendation 1.f. –**

The Affiliate should review the job description of the paid employee to determine if he meets the criteria in the Form 990 instructions which would require him to be included in Part VII of the return.

**Affiliate Response**

Upon consultation with the Affiliate's council, it was determined, under Michigan law, that the Affiliate's sole employee does not qualify as an officer. We will continue to evaluate this position and may consider the category "key employee" rather than officer in subsequent filings. An amended 990 will not be filed for the year ended April 30, 2022.

**Recommendation 1.g. –**

Schedule A amounts do not match amounts on Part VIII. This should be reviewed and determine what these discrepancies relate to and adjust the amounts reported. Also, the block grant amounts are included on line 7a as contributions from disqualified contributors. As 501(C)(3) organizations, these entities are not considered disqualified.

**Affiliate Response**

Part 1 – in consultation with the Affiliate’s auditors, they will review their groupings for the filing and will adjust accordingly.

Part 2 – Per the IRS glossary, a disqualified person is described as an individual or entity who is in a position to exercise substantial influence over the affairs of the applicable Organization and is properly classified. The audit firm who prepares the Affiliate’s form 990 believes that this is presented appropriately.

In either case, the Affiliate’s auditor who prepares the 990 will evaluate this going forward. An amended 990 will not be filed for the year ended April 30, 2022.

**Recommendation 1.h. –**

Part VI, Line 19 requires narrative to be included on Schedule O to describe how information is distributed, but this required disclosure is not included on Schedule O.

**Affiliate Response**

In consultation with the Affiliate’s auditors, the necessary verbiage will be added to Schedule O which covers the methods used to disclose the Affiliate’s governing documents, conflict of interest policy, and financial statements to the public in subsequent filings. An amended 990 will not be filed for the year ended April 30, 2022.

**Recommendation 2 –**

The Affiliate should continue to notify the appropriate department of USA Hockey of any payments or support given to someone in a position to submit reimbursement requests to USA Hockey, including the District RIC and CIC.

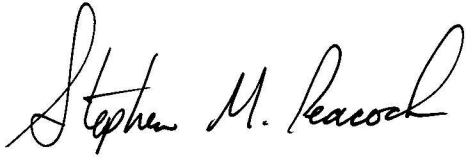
**Affiliate Response**

The Affiliate will continue to notify the appropriate department of USA Hockey of any payments or support given to someone in a position to submit reimbursement requests to USA Hockey, including the District RIC and CIC.

The Affiliate appreciates the work performed by Ms. Goodwin of Waugh and Goodwin in performing these procedures. At the Affiliate, we take internal control and financial reporting seriously and will continue to improve these systems on an on-going basis.

If you have any further questions or need any additional information, please do not hesitate to reach out to me at [steve.peacock@rehmann.com](mailto:steve.peacock@rehmann.com) or by phone at 231.946.8558.

Very truly yours,

A handwritten signature in black ink that reads "Stephen M. Peacock". The signature is written in a cursive style with a large, looped initial 'S'.

Stephen M. Peacock, CPA  
Audit Committee Chair

October 3, 2022

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WAUGH & GOODWIN, LLP

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