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

**Financial Statements and Supplemental Schedules** 

For the Year Ended August 31, 2018



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#### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidating financial statements of USA Hockey, Inc. (a nonprofit organization), USA Hockey Foundation (a nonprofit organization) and subsidiaries, and Hockey and Rink Protection, Inc., which comprise the consolidating statement of financial position as of August 31, 2018, and the related consolidating statements of activities and cash flows for the year then ended, and the related notes to the consolidating financial statements.

# Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We did not audit the financial statements of Hockey and Rink Protection, Inc., a wholly owned subsidiary, which statements reflect total assets of \$6,521,235 as of August 31, 2018, and total support and revenues of \$634,364 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Hockey and Rink Protection, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free of material misstatement.

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

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

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

### Opinion

In our opinion, based on our audit and the report of other auditors, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of USA Hockey, Inc., USA Hockey Foundation and subsidiaries, and Hockey and Rink Protection, Inc. as of August 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# Report on Summarized Comparative Information

We have previously audited USA Hockey, Inc.'s August 31, 2017, consolidating financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited consolidating financial statements from which it has been derived.

#### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The supplemental consolidated schedules of program and supporting services are presented for purposes of additional analysis and are not a required part of the consolidating financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of In our opinion, the information is fairly stated in all material respects in relation to the consolidating financial statements as a whole.

# Waugh & Goodwin, LLP

Colorado Springs, Colorado October 29, 2018

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

# Consolidating Statement of Financial Position

# August 31, 2018

(With Comparative Consolidated Totals for 2017)

USA Hockey

	USA Hockey, Inc.	Foundation and Subsidiaries	Hockey and Rink Protection, Inc.	Eliminating Entries	Consolidated Totals 2018	Consolidated Totals 2017
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 11,988,406	\$ 1,727,145	\$ 418,758	\$	\$ 14,134,309	\$ 13,002,668
Restricted cash	727,426				727,426	726,990
Short-term investments (Note B)			5,970,772		5,970,772	4,211,950
Accounts receivable	1,487,665	96,800			1,584,465	2,239,815
Grants receivable		988,971			988,971	1,193,279
Short-term pledges receivable (Note D)		215,000			215,000	105,000
Due from USA Hockey, Inc.		47,891		(47,891)	215,000	105,000
Due from USA Hockey Foundation	1,291,433	47,031		(1,291,433)		
Inventory	1,291,433	207,401		(1,291,433)	207,401	197,457
Grants receivable from USA		207,401			207,401	131,431
Hockey Foundation	3,908,783			(3,908,783)		
Prepaid expenses	2,353,235	358,030	126,849		2,838,114	2,861,099
Total current assets	21,756,948	3,641,238	6,516,379	(5,248,107)	26,666,458	24,538,258
LONG-TERM INVESTMENTS (Note B)		19,834,596			19,834,596	20,056,722
LONG-TERM PLEDGES RECEIVABLE,						
net (Note D)		288,388			288,388	50,911
PROPERTY AND EQUIPMENT -						
at cost (Note E)	7,455,261	31,722,650			39,177,911	38,620,659
Less accumulated depreciation	(5,412,555)	(3,952,827)			(9,365,382)	(7,928,753)
Property and equipment, net	2,042,706	27,769,823			29,812,529	30,691,906
OTHER ASSETS (Note F):						
Artwork		400,000			400,000	400,000
Other assets			4,856		4,856	6,075
Investment in HARP (Note I)	750,000			(750,000)		
Intangible assets, net of						
amortization of \$119,003						
and \$84,173		403,450			403,450	438,280
Total other assets	750,000	803,450	4,856	(750,000)	808,306	844,355
TOTAL ASSETS	\$ 24,549,654	\$ 52,337,495	\$ 6,521,235	\$ (5,998,107)	\$ 77,410,277	\$ 76,182,152

LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES:										
Accounts payable and accrued										
liabilities	\$	3,141,378	\$ 447,129	Ş	\$ 1,632,527	\$	\$	5,221,034	\$	4,369,069
Accrued payroll and related										
benefits		589,490						589,490		816,408
Deferred revenue (Note G)		16,055,184	154,653					16,209,837		15,353,907
Due to USA Hockey, Inc.			1,291,433			(1,291,433)				
Due to USA Hockey Foundation		47,891				(47,891)				
Grants payable to USA Hockey,										
Inc.			3,908,783			(3,908,783)				
Current portion of bonds										
payable (Note H)			 213,730	_				213,730		1,171,303
Total current liabilities		19,833,943	6,015,728		1,632,527	(5,248,107)		22,234,091		21,710,687
LONG-TERM LIABILITIES:										
Deferred revenue - long										
term (Note G)			61,138					61,138		15,590
Bonds payable, net (Note H)			10,680,872					10,680,872		16,663,049
	-	<del></del>		_			-			
Total liabilities		19,833,943	16,757,738		1,632,527	(5,248,107)		32,976,101		38,389,326
NET ASSETS:										
Unrestricted		4,715,711	33,170,418		4,888,708	(750,000)		42,024,837		35,949,082
Temporarily restricted (Note J)			2,243,463					2,243,463		1,681,868
Permanently restricted (Note K)			165,876					165,876		161,876
_										
Total net assets		4,715,711	 35,579,757	-	4,888,708	(750,000)	_	44,434,176	_	37,792,826
TOTAL LIABILITIES AND NET ASSETS	\$	24,549,654	\$ 52,337,495	5	\$ 6,521,235	\$ (5,998,107)	\$	77,410,277	Ś	76,182,152

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

# Consolidating Statement of Activities and Changes in Net Assets $\mbox{For the Year Ended August } 31, \ 2018$

(With Comparative Consolidated Totals for 2017)

	USA Hockey, Inc.	USA Hockey Foundation and Subsidiaries	Hockey and Rink Protection, Inc.	Eliminating Entries	Consolidated Totals 2018	Consolidated Totals 2017
REVENUE:						·
Membership registrations						
and dues	\$ 26,809,333	\$	\$	\$	\$ 26,809,333	\$ 26,594,307
Tournaments and exhibitions	10,728,523				10,728,523	3,975,876
National Hockey League (Note N)		9,400,000			9,400,000	9,400,000
Corporate sponsorship	3,485,993				3,485,993	3,493,474
Plymouth income, net of						
cost of goods sold		2,370,791		(225,664)	2,145,127	2,178,513
USOC grants (Note M)	1,981,145	. ,		. , .	1,981,145	1,419,315
Investment income (Note C)	1,004,294	1,508,211	244,364	(1,000,000)	1,756,869	2,778,471
Advertising and merchandise	, , .	, ,	• • •	, , , ,	,,	,
sales, net of costs	412,401	333,924			746,325	618,393
Other income	473,194	69,778		(1,800)	541,172	482,670
Rental income, net of	,	,		(=,,	· / - · -	,
rental expenses (Note M)		1,223,293		(718,250)	505,043	445,643
Contributions and other grants		486,498		, , , , , , , ,	486,498	879,437
Loss on extinguishment of debt		(68,467)			(68,467)	,
USA Hockey Foundation grants	8,393,755	(***/=***/		(8,393,755)	(,,	
USA Hockey, Inc. grants	.,,	1,000,000		(1,000,000)		
Insurance premiums		_,,,,,,,,,	390,000	(390,000)		
Satisfied program restrictions		424,163	525,555	(050)000)	424,163	365,652
Total unrestricted revenue	53,288,638	16,748,191	634,364	(11,729,469)	58,941,724	52,631,751
EXPENSES:						
Program services:						
International programs	9,894,335	254,000		(2,104)	10,146,231	8,286,871
Membership services	10,774,418		375,784	(1,390,000)	9,760,202	9,961,324
Plymouth arena programs		4,001,232			4,001,232	3,950,731
National team development	4,269,247			(533,284)	3,735,963	3,694,952
Player development	2,824,016	9,201,784		(8,415,829)	3,609,971	3,596,858
Officials	3,057,315			(15,517)	3,041,798	2,638,222
Coaching	2,320,634				2,320,634	1,928,469
American development model	1,786,508			(2,040)	1,784,468	1,723,154
Adult hockey	1,390,691			(1,395)	1,389,296	1,819,682
Annual Congress/						
Mid-Winter Meetings	1,042,558				1,042,558	1,071,155
Membership development	911,822				911,822	928,264
Youth program	767,809				767,809	803,975
Junior program	525,806				525,806	565,235
Internet project	476,855				476,855	418,053
Patty Kazmaier Memorial						
Award		29,991			29,991	30,386
Alumni program						22,140
Total program services	40,042,014	13,487,007	375,784	(10,360,169)	43,544,636	41,439,471

Supporting services:						
General and administrative Marketing and fundraising	6,226,626 1,643,265	1,269,924 550,818		(369,300)	7,127,250 2,194,083	6,933,613 1,933,637
Total supporting services	7,869,891	1,820,742	- <del></del>	(369,300)	9,321,333	8,867,250
Total unrestricted expenses	47,911,905	15,307,749	375,784	(10,729,469)	52,865,969	50,306,721
CHANGE IN UNRESTRICTED NET ASSETS	5,376,733	1,440,442	258,580	(1,000,000)	6,075,755	2,325,030
TEMPORARILY RESTRICTED NET ASSETS (Note J):						
Contributions		985,098			985,098	379,793
Investment income Grants		660			660	373 150,000
Patty Kazmaier Memorial						17,017
Less satisfied program restrictions		(424,163)			(424,163)	(365,652)
CHANGE IN TEMPORARILY						,
RESTRICTED NET ASSETS		561,595			561,595	181,531
PERMANENTLY RESTRICTED NET ASSETS (Note K):						
Contributions		4,000			4,000	4,000
CHANGE IN PERMANENTLY						
RESTRICTED NET ASSETS		4,000	- <u> </u>		4,000	4,000
CHANGE IN NET ASSETS	5,376,733	2,006,037	258,580	(1,000,000)	6,641,350	2,510,561
NET ASSETS, beginning of year	3,277,851	29,634,847	5,630,128	(750,000)	37,792,826	35,282,265
TRANSFER OF NET ASSETS	(3,938,873)	3,938,873	(1,000,000)	1,000,000		
NET ASSETS, end of year	\$ 4,715,711	\$ 35,579,757	\$ 4,888,708	\$ (750,000)	\$ 44,434,176	\$ 37,792,826

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

# Consolidating Statement of Cash Flows

For the Year Ended August 31, 2018

(With Comparative Consolidated Totals for 2017)

USA Hockey

	Нос	USA ckey, Inc.	Fou	ndation and bsidiaries	ey and Rink	Eliminating Entries		Consolidated Totals 2018		onsolidated otals 2017
CASH FLOWS FROM OPERATING ACTIVITIES:										
Change in net assets	\$	5,376,733	\$	2,006,037	\$ 258,580	\$	(1,000,000)	\$	6,641,350	\$ 2,510,561
Adjustments to reconcile change in										
net assets to net cash provided										
by operating activities:										
Depreciation and amortization		647,802		972,954					1,620,756	1,584,617
Amortization of bond issuance costs				12,824					12,824	13,232
Loss on extinguishment of debt				68,467					68,467	
Realized gains on investments				(779,186)					(779,186)	(416,682)
Unrealized gains on investments				(221,068)	(17,493)				(238,561)	(1,749,922)
Decrease (increase) in assets:										
Restricted cash		(436)							(436)	(436)
Accounts receivable		692,627		(37,275)					655,352	(818,452)
Grants receivable				204,308					204,308	(440,444)
Pledges receivable				(347,477)					(347,477)	(35,000)
Due from USOC										4,000
Inventory				(9,943)					(9,943)	(14,281)
Grants receivable from USA										
Hockey Foundation		244,737					(244,737)			
Prepaid expenses		(223,903)		174,312					(49,591)	(613,797)
Other assets					73,795				73,795	(5,520)
Increase (decrease) in liabilities:										
Accounts payable and										
accrued liabilities		287,332		176,052	169,574				632,958	(161,067)
Accrued payroll and										
related benefits		(7,909)							(7,909)	(215,901)
Deferred revenue		784,800		116,676					901,476	1,203,252
Due to USOC										(5,420)
Grants payable to USA Hockey,										
Inc.				(244,737)	 		244,737			 
Total adjustments		2,425,050		85,907	 225,876				2,736,833	 (1,671,821)
Net cash provided by operating										
activities		7,801,783		2,091,944	484,456		(1,000,000)		9,378,183	838,740

CASH FLOWS FROM INVESTING ACTIVITIES:						
Acquisition of property and equipment	(585,863)	/444 A-11			(585,863)	(1,020,447)
Acquisition of intangible assets		(121,874)			(121,874)	
Purchase of long-term and available for sale investments Proceeds from long-term and available		(2,081,396)	(3,106,722)		(5,188,118)	(2,892,315)
for sale investments		3,304,961	1,365,393		4,670,354	3,787,798
Net cash provided (used) by investing activities	(585,863)	1,101,691	(1,741,329)	-	(1,225,501)	(124,964)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Due to/from USA Hockey, Inc.		85,583		(85,583)		
Due to/from USA Hockey Foundation	(85,583)			85,583		
Principal payments on bonds payable		(7,021,041)	(1 000 000)	1 000 000	(7,021,041)	(1,129,504)
Member distribution Transfer to USA Hockey Foundation	(3,938,873)	3,938,873	(1,000,000)	1,000,000		
Net cash used by						
financing activities	(4,024,456)	(2,996,585)	(1,000,000)	1,000,000	(7,021,041)	(1,129,504)
NET INCREASE (DECREASE) IN CASH	3,191,464	197,050	(2,256,873)		1,131,641	(415,728)
CASH AND CASH EQUIVALENTS, beginning of year	8,796,942	1,530,095	2,675,631		13,002,668	13,418,396
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 11,988,406</u>	\$ 1,727,145	\$ 418,758	\$	\$ 14,134,309	<u>\$ 13,002,668</u>

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

Notes to Consolidating Financial Statements For the Year Ended August 31, 2018

#### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

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

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

#### Organization

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

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

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

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

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

# Organization - continued

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

#### 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, 2017.

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

# Depreciation and Amortization

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

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

Depreciation and amortization expense amounted to \$1,620,756 and \$1,584,617 for the years ended August 31, 2018 and 2017, respectively.

#### 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.

#### <u>Investments</u>

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

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

# <u>Investments</u> - continued

determined on a specific identification basis, are also included in revenue.

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

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

#### Supplemental Cash Flow Disclosure

Cash flows from operating activities reflect interest paid of \$502,023 and \$584,425 for the years ended August 31, 2018 and 2017, respectively. No income taxes were paid during either year.

#### 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.

# Accounts Receivable

Accounts receivable are stated at the amount the Corporation and Foundation expect to collect from balances outstanding at year end. Based on management's assessment of the outstanding balances, it has concluded that an allowance for doubtful accounts is not necessary for the years ended August 31, 2018 and 2017.

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

#### Inventory

Prior to September 1, 2017, the Foundation reported inventories at the lower of cost or market. Cost was determined using the first-in, first-out (FIFO) method.

Beginning September 1, 2017, the Foundation began stating inventories prospectively at the lower of FIFO cost and net realizable value. This change was made in response to a recent Financial Accounting Standards Board (FASB) standard issued as part of the FASB's simplification initiative.

Under the prior method, "market" was replacement cost, subject to possible adjustments. Net realizable value is based on the selling price. The change is intended to reduce complexity in financial statement preparation. This change had no significant effect on the change in net assets for the year ended August 31, 2018.

#### Contributions

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

# Revenue Recognition

HARP insurance premiums are earned on a pro rata basis over the policy period. The portion of premiums that will be earned in the future is deferred and reported as deferred revenue on the statement of financial position. All of the policies are written on a fiscal year basis and therefore there is no unearned premium revenue at August 31, 2018 and 2017.

# Reserve for Unpaid Losses

HARP's reserve for unpaid losses includes case basis estimates of reported losses, plus supplemental reserves for incurred but not reported losses calculated based upon loss projections utilizing USA Hockey, Inc.'s historical loss history and industry data. In establishing this reserve, HARP utilizes the findings of an independent consulting

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

# Reserve for Unpaid Losses - continued

actuary. Management believes that its aggregate reserve for unpaid losses at year end represents its best estimate, based on the available data, of the amount necessary to cover the ultimate cost of losses; however, because of the nature of the insured risks and limited historical experience, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the statement of financial position date. Accordingly, the ultimate liability could be significantly in excess of, or the amount indicated in these financial than, statements. As adjustments to these estimates become such adjustments necessary, are reflected in current operations.

During fiscal year 2018, HARP was required to adopt FASB Accounting Standards Update 2015-09, "Financial Services -Insurance (Topic 944): Disclosures About Short-Duration Contracts" (ASU 2015-09). ASU 2015-09 requires entities that short-duration contracts to provide disclosures relative to the reserve for unpaid losses and loss adjustment expenses in annual reporting periods. 2015-09 also requires disclosures regarding significant changes in methodologies and assumptions used to calculate the reserve for unpaid losses and loss adjustment expenses, including reasons for the effects of such changes. adoption of ASU 2015-09 did not have any impact on HARP's financial position or results of its operations and requires only certain additional disclosures and required supplemental information to be presented. See Note O.

# Use of Estimates in Preparation of Financial Statements

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

#### Prior-Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense class. Such information does not

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

# Prior-Year Comparisons - continued

include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended August 31, 2017, 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 October 29, 2018, the date that the financial statements were available to be issued.

#### B. FAIR VALUE MEASUREMENTS

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

The three levels of fair value hierarchy are as follows:

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

#### B. FAIR VALUE MEASUREMENTS - Continued

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

The following tables present assets that are measured at fair value on a recurring basis at August 31, 2018 and 2017:

Assets at Fair Value as of August 31, 2018

	 Level 1	 Level 2	<u>Level</u>	3	 Total
Money market accounts Mutual funds Equities Fixed income USOE pooled	\$ 104,401 5,970,772 12,548,410 5,554,830	\$	\$		\$ 104 401 5,970,772 12,548,410 5,554,830
fund	 	 1,626,955			 1,626,955
	\$ 24,178,413	\$ 1,626,955	\$		\$ 25,805,368

#### Assets at Fair Value as of August 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market Mutual funds Equities Fixed income USOE pooled	\$ 370,150 4,211,950 13,673,898 4,542,175	\$	\$	\$ 370,150 4,211,950 13,673,898 4,542,175
fund		1,470,499		1,470,499
	<u>\$ 22,798,173</u>	\$ 1,470,499	\$	\$ 24,268,672

The above categories include \$1,626,955 at August 31, 2018, and \$1,470,499 at August 31, 2017, invested in a pooled portfolio managed by the United States Olympic Endowment (USOE). The remainder of the Foundation's investment portfolio is managed by Chief Investment Officers, Hirtle Callaghan & Co., and is invested with Charles Schwab and Wells Fargo.

# B. FAIR VALUE MEASUREMENTS - Continued

The United States Olympic Endowment (USOE) investment consists of units in a pooled portfolio managed by the USOE. At August 31, 2018, the USOE portfolio consisted of the following types of securities:

Alternative investments	36.54%
Domestic equities	31.95
International equities	19.03
Domestic bonds	6.24
International bonds	3.28
Cash & cash equivalents	<u> 2.96</u>
	<u>100.00</u> %

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

HARP's short-term investments are recorded at quoted market values and consist of mutual funds in the amount of \$5,970,772 and \$4,211,950 at August 31, 2018 and 2017, respectively.

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

#### C. INVESTMENT INCOME

Investment income consists of the following for the years ended August 31, 2018 and 2017:

	<u>2018</u>	<u> 2017</u>
Realized gains on investments	\$ 779,186	\$ 416,682
Interest and dividends	739,782	612,240
Unrealized gains on investments	 238,561	 1,749,922
	\$ 1,757,529	\$ 2,778,844

#### D. PLEDGES RECEIVABLE

As of August 31, 2018, the Foundation had net pledges receivable of \$503,388, representing unconditional promises to give made during the current and prior years. The pledges are scheduled to be received by the Foundation during the next four years. Long-term portions of the pledges were discounted using a discount rate of 2.00%. The discount on pledges receivable was \$11,612 at August 31, 2018.

#### E. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Buildings and improvements Equipment, furniture	\$ 27,634,559	\$ 27,420,535
and technology	6,255,624	5,949,176
Land	3,295,000	3,295,000
Program equipment	1,992,728	1,955,948
Less accumulated depreciation	<u>(9,365,382</u> )	<u>(7,928,753</u> )
	\$ 29,812,529	\$ 30,691,906

# F. OTHER ASSETS

Included in intangible assets at August 31, 2018, are startup costs and licenses incurred by the Foundation and subsidiaries of \$522,453 less amortization of \$119,003.

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

#### G. DEFERRED REVENUE

Deferred revenue consists of the following at August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Registrations and tournament fees	\$14,103,003	\$13,525,660
Seminar and clinic fees	857,192	762,750
Sponsor payment	626,250	216,250
Officials Affiliate fees	208,340	199,350
Plymouth Arena programs	205,433	89,791
USOC grant	98,465	490,658
Transfer card fees	78,250	66,800
Insurance proceeds	64,969	
Other	18,715	8,914
Beck Road programs	10,358	9,324
	\$16,270,975	\$15,369,497

#### H. BONDS PAYABLE

On November 1, 1996, the Foundation entered into a loan agreement to obtain financing for construction of the headquarters office building it leases to USA Hockey, Inc. under a trust indenture between El Paso County, Colorado and JP Morgan Chase, Colorado, as trustee, the proceeds from the sale of \$3,400,000 aggregate principal amount of El Paso County, Colorado Adjustable Rate Economic Development Revenue Bonds Series 1996 (USA Hockey Project) were loaned to the Foundation pursuant to a loan agreement dated November 1, 1996 between the Foundation and El Paso County, Colorado. An irrevocable letter of credit issued November 22, 1996, and originally expiring November 15, 2007, was extended until November 15, 2018.

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

# H. BONDS PAYABLE - Continued

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

CECFA also issued Taxable Improvement Revenue Bonds (USA Hockey Project - USA Hockey Foundation), Series 2015B (2015B), in the original aggregate principal amount \$8,100,000 pursuant to the terms of an Indenture of Trust, dated as of March 1, 2015, with Wells Fargo Bank, NA as the The proceeds from the sale of these bonds were loaned to the Foundation pursuant to a loan agreement dated March 1, 2015. The initial interest rate on the 2015B bond series is 3.45% through March 31, 2020, at which time the These bonds were secured by readily rate will adjust. marketable securities margined based on asset type and held in a custodial account at Wells Fargo Bank, NA. During the year ended August 31, 2018, the Series 2015B bonds were redeemed in entirety. The loss on extinguishment of debt of \$68,467 reported during the year ended August 31, 2018, represents the unamortized bond issuance costs at the time of the redemption of the Series 2015B bonds.

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

#### H. BONDS PAYABLE - Continued

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

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

At August 31, 2018 and 2017, the face amounts of the bonds were \$10,979,814 and \$18,000,855, respectively, and the unamortized debt issuance costs were \$85,212 and \$166,503, respectively.

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

	<u>2015A</u>
2019	\$ 213,730
2020	458,138
2021	936,322
2022	964,129
2023	992,762
Thereafter	7,414,733

### I. MEMBER EQUITY

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

Prior to dividends being declared and paid to USA Hockey, Inc., HARP must receive written approval from the Department. Dividends of \$1,000,000 and \$0 were declared and paid during the years ended August 31, 2018 and 2017, respectively. There were no material differences between the audited financial statements and the annual reports filed with the Department.

# J. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the Corporation and Foundation at August 31, 2018 and 2017, consist of the following:

		<u>2018</u>	<u>2017</u>
Friends of Women's Hockey	\$	477,049	\$ 144,203
National Team development		339,655	339,655
Patty Kazmaier Memorial		222,485	233,648
James Johannson Legacy Fund		196,724	
B. Burke Internship		192,924	192,809
Youth hockey		192,085	183,553
Walter Bush fund		90,065	90,065
Restricted pledges		90,000	150,911
Ron DeGregorio Goaltending Fund		80,891	61,641
Starts with a stick		79,127	
Disabled athlete program		65,187	60,336
Try Hockey for Free Equipment		55,555	55,555
Resource library		45,885	48,006
Darian Locklear Memorial Fund		30,000	
Disabled youth program		25,000	25,000
Pass It Forward		17,862	31,096
Wounded Warriors/disabled program		11,800	11,800
Heads Up Don't Duck program		10,000	10,000
Rink conversion program		8,511	8,511
Brian Fishman Memorial		5,845	5,300
Blind hockey		2,500	
International player development		1,750	1,750
Underprivileged children		1,702	1,702
Grow the Game		511	511
USA Hockey Hall of Fame		150	150
Safety programs		100	100
Referee program		100	100
Paralympic Sled Hockey Team			20,042
Men's National Team			 5,424
	<u>\$2</u>	,243,463	\$ 1,681,868

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended August 31, 2018 and 2017, net assets were released from restrictions by satisfying the following restricted purposes:

#### J. TEMPORARILY RESTRICTED NET ASSETS - Continued

	<u>2018</u>	<u>2017</u>
Friends of Women's Hockey	\$ 245,789	\$
Restricted pledges	65,000	60,000
Paralympic Sled Hockey team	55,527	25,000
Patty Kazmaier Memorial	29,989	30,386
Pass It Forward	13,234	133,904
Men's National Team	5,425	
Youth hockey	5,078	5,215
Resource library	2,121	1,754
Legacy on Ice	2,000	
Starts with a stick		62,393
World Cup of Hockey		47,000
	<u>\$ 424,163</u>	\$ 365,65 <u>2</u>

#### K. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets for the Foundation at August 31, 2018, consist entirely of the Brian Fishman Memorial fund, which is restricted in perpetuity.

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, 2018 and 2017, the underlying assets of the endowment fund are included in the statement of financial position as cash.

#### L. ENDOWMENT FUNDS

In accordance with generally accepted accounting principles, net assets associated with endowment funds are classified between permanently and temporarily restricted net assets and 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

#### L. ENDOWMENT FUNDS - Continued

# Interpretation of Relevant Law - Continued

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 permanently restricted net assets consist of an endowment gift received from one donor. The gift instrument does not require that a percentage of the annual income, including realized and unrealized gains, be added to the original gift as a hedge against the effects of inflation. As of August 31, 2018, the original gifts were equal to the fair market value of the permanently restricted net assets.

The remaining portion of the donor-restricted Endowment that is not classified as permanently restricted net assets is classified as temporarily restricted net assets 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.

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 1, 2016	\$ 5,039	\$ 157,876	\$ 162,915
Contributions Investment income	261	4,000	4,000 <u>261</u>
Endowment net assets, August 31, 2017	5,300	161,876	167,176
Contributions Investment income	<u>545</u>	4,000	4,000 545
Endowment net assets, August 31, 2018	<u>\$ 5,845</u>	<u>\$ 165,876</u>	<u>\$ 171,721</u>

#### L. ENDOWMENT FUNDS - Continued

#### 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 permanently restricted net assets.

# 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 permanently restricted net assets.

# Strategies Employed for Achieving Objectives

The Foundation employs a total-return strategy to achieve its investment objectives, which utilizes current yield (interest). Full allocation in cash is applied to maintain an acceptable level of prudent risk.

#### M. AFFILIATED ORGANIZATIONS

The United States Olympic Committee (USOC) provides grants to the Corporation for sports development, international competition, and team preparation. Total grants from the USOC for the years ended August 31, 2018 and 2017, consist of the following project categories:

	<u>2018</u>	<u>2017</u>
Performance partnership agreement	\$ 1,595,000	\$ 1,040,000
Paralympic high performance funding	380,745	349,315
International relations grant	 5,400	 30,000
	\$ 1,981,145	\$ 1,419,315

In addition, the USOC provided VIK airfare support, which is reported as corporate sponsorship in the accompanying statement of activities, during the years ended August 31, 2018 and 2017. During the years ended August 31, 2018 and 2017, the USOC paid the Corporation \$200,000 and \$100,000, respectively, as a management fee to conduct events. These amounts are included in tournaments and exhibitions in the accompanying statement of activities.

#### M. AFFILIATED ORGANIZATIONS - Continued

During the years ended August 31, 2018 and 2017, the International Ice Hockey Federation (IIHF) provided support to the Corporation of \$2,276,000 and \$1,301,000 respectively. This amount is included in tournaments and exhibitions in the accompanying statement of activities.

The Foundation leases an office building to USA Hockey, Inc. for \$30,625 per month, pursuant to a lease agreement that expires April 30, 2019. Rental income is shown net of rental expenses of \$1,046,323 and \$1,034,704 for the years ended August 31, 2018 and 2017, respectively.

During the years ended August 31, 2018 and 2017, the Foundation provided grants to USA Hockey, Inc. in the amount of \$8,393,755 and \$8,300,644, respectively. At August 31, 2018 and 2017, USA Hockey Foundation owed \$3,908,783 and \$4,153,520, respectively, to USA Hockey, Inc. for grants.

USA Hockey, Inc. provides certain administrative and accounting services to the Foundation for an annual fee of \$1,800. At August 31, 2018 and 2017, USA Hockey Foundation owed \$700,240 and \$628,965 to USA Hockey, Inc., respectively, for other administrative costs.

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

Plymouth AC leases office and training space to USA Hockey, Inc. for \$29,167 base rent per month, pursuant to a lease agreement that ends March 31, 2025. Plymouth AC also leases restaurant and concession space to Beck Road for \$18,283 per month, pursuant to a lease agreement beginning March 31, 2015 and ending March 31, 2025. Rental income is shown net of rental expenses in the amount of \$973,333 and \$969,700 for the years ended August 31, 2018 and 2017, respectively.

At August 31, 2018 and 2017, Plymouth AC owed \$581,815 and \$558,915 to USA Hockey, Inc., respectively, for administrative costs. At August 31, 2018 and 2017, Beck Road owed \$9,378 and \$2,418 to USA Hockey, Inc., respectively, for administrative costs.

Plymouth AC provides ice time to USA Hockey, Inc. for various events. For the year ended August 31, 2018, Plymouth AC billed USA Hockey, Inc. \$200,524 for services. At August 31, 2018 and 2017, USA Hockey, Inc. owed Plymouth AC \$22,751 and

#### M. AFFILIATED ORGANIZATIONS - Continued

\$17,018, respectively, for services. Beck Road provides food services to USA Hockey, Inc. for various events. For the year ended August 31, 2018, Beck Road billed USA Hockey, Inc. \$25,140 for services. At August 31, 2018 and 2017, USA Hockey, Inc. owed Beck Road \$25,140 and \$15,321, respectively, for services.

#### N. NATIONAL HOCKEY LEAGUE

The National Hockey League support is based on past performance and specific objectives. A significant portion of their funding is intended to provide budget relief for existing costs associated with the national team development program and junior officiating development program. The balance is to be directed to offset costs associated with new initiatives, specifically the American Development Model, Women's Hockey, and membership development, plus support for the United States Hockey League and College Hockey, Inc.

#### O. INSURANCE ACTIVITY

HARP provides occurrence-based deductible reimbursement general liability coverage to USA Hockey, Inc. and its Affiliates. For the policy periods during 2018 and 2017, policy limits were \$100,000 per occurrence with an annual aggregate of \$1,000,000. This policy covers indemnity only and no loss adjustment expenses.

In 2017, HARP also provided occurrence-based excess sexual abuse coverage to USA Hockey, Inc. participants. The limits under this policy were \$2,000,000 per occurrence with a \$2,000,000 annual aggregate in excess of underlying limits of \$2,000,000 per person with a \$20,000,000 aggregate in 2017. The above limits were also in excess of underlying limits of \$9,000,000 per occurrence with a \$9,000,000 aggregate. This coverage was not renewed upon expiration at September 1, 2017.

In 2017, HARP also provided contractual indemnity for losses arising out of USA Hockey, Inc.'s accident and sickness program. The limits under this policy vary by type of occurrence within a \$1,000,000 annual aggregate in excess of \$3,500,000 aggregate deductible. This coverage was not renewed upon expiration at September 1, 2017.

#### O. INSURANCE ACTIVITY - Continued

In 2018 and 2017, HARP also provides legal expense reimbursement coverage to USA Hockey, Inc. and its Affiliates. The limits under this policy are \$250,000 per occurrence, with a \$250,000 annual aggregate.

The deductible reimbursement general liability coverage covers certified terrorism losses as defined under Terrorism Risk Insurance Act of 2002 (TRIA) and the subsequent 2007 and 2015 extensions of TRIA. TRIA provides for a system of shared public and private compensation for insured losses resulting from certified acts of terrorism. TRIA protection is only triggered if there is a certified act of terrorism and losses reach an industry insured loss trigger (\$160 million in 2018 and \$140 million in 2017).

The coverage provided by HARP is eligible under TRIA for coinsurance protection (82% in 2018 and 83% in 2017) provided by the U.S. Treasury subject to a deductible equal to 20% of HARP's prior year direct earned premiums. HARP retains both the deductible and its remaining share of certified terrorism losses.

USA Hockey, Inc. maintains an arrangement with K&K Insurance Group for claims administration and incurs all costs. HARP does not record any expenses or liabilities related to claims administration. HARP has made a loss escrow account deposit of \$126,849 and \$199,425 as of August 31, 2018 and 2017, respectively, which is to be used for payment of losses.

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

Balance at September 1, 2017	\$ 1,443,828
Incurred and related to current year	383,317
Incurred and related to prior years	(146,152)
Paid and related to current year	(2,901)
Paid and related to prior years	<u>(69,675</u> )
Balance at August 31, 2018	\$ 1,608,417

As a result of changes in estimates on insured events in the prior year, incurred losses decreased by \$146,152 and \$42,288 in 2018 and 2017, respectively, which was a result of favorable development related to HARP's deductible reimbursement general liability coverage.

#### O. INSURANCE ACTIVITY - Continued

HARP incorporates a variety of actuarial methods and judgments in its reserving process. These key inputs impact the potential variability in the estimate of the reserve for losses and loss expenses. HARP's liability for unpaid losses consider and reflect, in part, deviations resulting from differences between expected loss and actual loss reporting as well as judgments relating to the weights applied to the reserve levels indicated by the actuarial methods. Expected loss reporting patterns are based upon internal historical data including USA Hockey, Inc.'s historic loss experience and industry data.

HARP measures claim frequency using claim counts and counts an insurance claim when either an indemnity amount has been paid, or at any period end, HARP recorded a case reserve.

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, 2018:

#### (Unaudited)

1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year	4 <sup>th</sup> Year	5 <sup>th</sup> Year
12.1%	6.8%	17.0%	8.5%	17.0%
6 <sup>th</sup> Year	7 <sup>th</sup> Year	8 <sup>th</sup> Year	9 <sup>th</sup> Year	10 <sup>th</sup> Year
0.7%	2.1%	0.0%	0.0%	0.0%

Since inception, HARP has only experienced losses on the deductible reimbursement general liability coverage. The following tables show incurred and paid claims development, by accident year. Incurred and paid claims for the year ended August 31, 2018 is audited. All prior years are considered required supplementary information and, therefore, are unaudited.

#### O. INSURANCE ACTIVITY - Continued

Deductible Reimbursement General Liability:

Incurred Claims For the Years Ended August 31, (Unaudited)

As of August 31, 2018

Total of Incurred-But-Not-Reported Liabilities Cumulative Plus Expected Number of

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Accident											Development on	Reported
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Claims	Claims
2009	\$472,885	\$402,296	\$346,399	\$313,356	\$247,728	\$116,956	\$103,220	\$ 93,916	\$ 93,916	\$ 93,916	5 \$	34
2010		323,013	264,121	229,360	219,078	165,843	114,610	93,529	81,445	81,445	5	34
2011			428,566	368,614	421,039	322,282	272,785	275,626	260,581	237,305	5	46
2012				443,382	400,186	467,473	429,508	497,953	483,066	482,599	37,818	40
2013					376,168	262,035	188,182	150,993	165,419	134,429	16,083	30
2014						316,816	256,855	156,816	134,966	132,483	58,144	32
2015							589,232	475,604	596,256	506,194	108,605	28
2016								431,861	318,361	333,928	107,065	32
2017									345,443	325,852	192,636	32
2018										383,317	7 282,518	24
									Total	2,711,468	3	

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

#### Accident

nccraciic										
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2009	48,916	53,916	91,416	91,416	93,916	93,916	93,916	93,916	93,916	93,916
2010		19,277	28,445	28,445	46,445	81,445	81,445	81,445	81,445	81,445
2011			37,123	36,305	134,805	209,805	209,805	217,305	237,305	237,305
2012				9,802	26,028	170,688	170,688	442,281	444,781	444,781
2013					8,440	20,846	33,346	33,346	33,346	33,346
2014						14,339	14,339	14,339	14,339	14,339
2015							10,680	100,089	170,089	200,089
2016								17,254	31,363	36,863
2017									9,041	43,216
2018										2,901
									Total	1,188,201
						All outs	standing lia	abilities be	efore 2009	85,150
							Li	abilities f	or claims	\$1,608,417

#### P. EVENT PARTICIPATION

Each year, the Corporation participates in or hosts events, and these events vary year to year. In addition to other events, during the year ended August 31, 2018, the Corporation hosted the U20 Men's World Championship event and realized revenue in the amount of \$7,705,000. During the year ended August 31, 2017, the Corporation participated in the World Cup of Hockey which generated \$1,156,363 in revenue. Some events do not occur each year; therefore, revenue may vary significantly from year to year.

# Q. RELATED PARTY TRANSACTIONS

HARP has an agreement with Aon Insurance Managers (USA) Inc. (Aon), whereby Aon provides accounting, administrative, and regulatory services. Management fees are expensed as incurred and have been recorded as general and administrative expenses in the statement of activities. These fees amounted to \$54,140 and \$54,222 for 2018 and 2017, respectively. A director and officer of HARP is also an employee of Aon.

#### R. 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. Foundation and its subsidiaries' employees are also eligible to participate in this plan.

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

Total pension expense for the years ended August 31, 2018 and 2017, amounted to \$791,434 and \$786,241, respectively.

#### S. 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.

#### T. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

2019	\$ 99,969
2020	97,371
2021	99,419
2022	90,813
2023	94.415

The Corporation's total rent expense amounted to \$65,849 and \$56,794, respectively, for the years ended August 31, 2018 and 2017.

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.

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

# Consolidated Schedule of Program Services

For the Year Ended August 31, 2018

	International Programs	Membership Services	Plymouth Arena Programs	National Team Development	Player Development	Officials	Coaching	American Development Model
Advertising & promotion	Ś	\$ 69,694	\$ 224,734	\$ 3.041	\$	\$	Ś	\$ 55,448
Audio/visual	*	ų 05,051	ų <u></u>	7 5/011	*	*	*	7 55,110
Bad debt			500					
Building maintenance			363,037	168				
Children's skate classes			118,167	200				
Computer maintenance		93,583	220,20,	7,776				
& support	45,549	249,487		520,642	21,274	82,107	227,736	
Contract services	,			,	,	,	,	7,300
Contributions			1,637					,
Corporate sponsor - VIK	237,298	4,518	,	132,131	104,366	3,108	19,119	13,853
Depreciation & amortization	•	,	252,380	,	, , , , , , , , , , , , , , , , , , , ,			.,
Dues & subscriptions	267,465	4,535	3,099	6,000		17,275	550	8,012
Equipment	476,031	6,090	58,248	13,745	7.627	5,880	138,675	22,758
Game costs	,	.,	180,015	,	.,	-,		/
Game quarantees				5,000				
Grants	1,799,000			.,	2.112.864			
Health insurance	124,800	182,400	173,803	215,140	, , , , , ,	49,200	57,600	141,600
Honoraria	2,096,164		,	182,689	211,435	351,596	205,381	,
Ice rental	29,003			587	58,755	100,190	134,842	2,804
Insurance	66,728	5,646,979	82,841				. ,	•
Interest	,	-,,	177,163					
Legal fees			19,761					
Investment & bank fees			35,901					
League expenses			78,835					
Lodging & meals	1,730,828	110,494	,	369,851	656,499	655,512	550,400	224,194
Meals & entertainment	,,	.,	8,500	,			,	•
Meetings		65		10,716			588	
Naming rights			6,682					
Office expense			32,967					
Other	221,023	670,583	10,931	5,632	11,823	159,295	80,985	3,084
Payroll taxes	90,602	86,120	84,319	97,888		37,885	24,214	73,432
Pension plan	58,369	89,043		74,869		37,695	25,127	73,517
Postage & freight	270,717	929,384	3,629	15,520	32,584	206,893	66,842	24,664
Printing &								
publications	858	222,368	33,176	1,755	7,659	104,966	116,274	2,594
Professional fees			28,456					
Property tax			282,073					
Protocol gifts	5,535			2,310		413		
Salaries	870,030	1,237,122	1,041,264	1,289,031		497,752	318,435	959,315
Seminars & training		1,125		375			1,304	395
Special events			187,965					
Supplies	75,356	9,553	28,555	249,525	21,221	21,239	59,237	6,529
Telephone	7,304	32,295		9,938	643	17,972	1,930	8,744
Travel	1,499,272	110,885	8,759	481,025	278,873	600,371	202,060	153,575
Trophies & awards	50,276	3,879		6,887	1,829	29,618	59,045	
Uniforms	117,810			33,722	82,519	62,831	30,290	2,650
Utilities			473,835					
Vehicle lease	6,213			<u> </u>				
	\$ 10,146,231	\$ 9,760,202	\$ 4,001,232	\$ 3,735,963	\$ 3,609,971	\$ 3,041,798	\$ 2,320,634	\$ 1,784,468

	Adul Hock		Annual Congress/ Mid-Winter Meetings	mbership velopment	outh	_ P	Junior		nternet Project	Kazm Memo	tty aier rial ard	 Total
Advertising & promotion	\$ 136	5,352	\$	\$ 22,364	\$	\$	12,864	\$		\$		\$ 524,497
Audio/visual			99,259									99,259
Bad debt												500
Building maintenance												363,205
Children's skate classes												118,167
Computer maintenance												101,359
& support	172	2,802										1,319,597
Contract services			17,465	93,160			2,580		221,465			341,970
Contributions												1,637
Corporate sponsor - VIK	15	5,437	64,440	1,088	1,047		11,680					608,085
Depreciation & amortization									_			252,380
Dues & subscriptions		L,050		585	19				5			308,595
Equipment	75	5,056	43,442	388	631		341		1,445		2,064	852,421
Game costs												180,015
Game guarantees							255 222					5,000
Grants				45 600	T.C. 000		355,000		0.0			4,266,864
Health insurance	4:	5,600		45,600	76,800		7 200		27,600			1,140,143
Honoraria Ice rental	26						7,300 298				2 200	3,054,565
	204	1,651					296				3,290	594,420
Insurance Interest												5,796,548
Legal fees												177,163 19,761
Investment & bank fees											93	35,994
League expenses											93	78,835
Lodging & meals	111	5,420	511,441	34,015	24,539		52,116		16,147			5.051.456
Meals & entertainment		7,420	311,441	34,013	24,333		32,110		10,147			8,500
Meetings				400								11,769
Naming rights												6,682
Office expense												32,967
Other	50	323	3,145	605	1,061		2,966		142		1,067	1,222,665
Payroll taxes		559	•	24,183	33,467		•		10,805		•	582,474
Pension plan	22	2,874		36,035	37,315				12,667			467,511
Postage & freight	33	3,094	5,891	36,020	12,116		9,928		34		1,016	1,648,332
Printing &												
publications		7,734	10,976	17,888	24,549						668	551,465
Professional fees											400	28,856
Property tax												282,073
Protocol gifts	1	L,030		677								9,965
Salaries	273	3,325		324,546	462,748				179,267			7,452,835
Seminars & training					2,500							5,699
Special events												187,965
Supplies		3,812	2,905	494	647		2,478		472		423	487,446
Telephone		2,292	1,506	3,040	2,829		519		465			89,477
Travel		7,589	261,497	27,002	27,041		56,045		6,341	1	17,516	3,797,851
Trophies & awards	75	791	20,591		60,346		466				3,454	312,182
Uniforms				243,732	154		11,225					584,933
Utilities		505										474,340
Vehicle lease				 	 	_		_				 6,213
	\$ 1,389	9,296	\$ 1,042,558	\$ 911,822	\$ 767,809	\$	525,806	\$	476,855	\$ 2	29,991	\$ 43,544,636

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

# Consolidated Schedule of Supporting Services For the Year Ended August 31, 2018

	General & <u>Administrative</u>	Marketing & Fundraising	Total
Accounting	\$ 76,958	\$	\$ 76,958
Advertising	23,233	164,973	188,206
Amortization	2,000	, ,	2,000
Building maintenance	70,780		70,780
Computer maintenance &	·		•
support	71,409		71,409
Contract services	139,181	24,609	163,790
Contributions	17,039		17,039
Corporate sponsor - VIK	20,258	58,403	78,661
Depreciation	657,257		657,257
Dues & subscriptions	19,382	1,855	21,237
Equipment minor purchases	41,302	5,894	47,196
Health insurance	889,071	136,201	1,025,272
Honoraria	2,000	13,000	15,000
Ice rental	7,457	88,250	95,707
Insurance	182,511	36,169	218,680
Investment & bank fees	103,808	6,845	110,653
Legal	368,478	18,970	387,448
Licenses & fees	18,733		18,733
Lodging & meals	285,235	115,035	400,270
Meetings	8,320		8,320
Other	104,165	182,525	286,690
Equipment rental & repairs	105,670		105,670
Payroll taxes	222,535	68,431	290,966
Pension plan	161,810	62,508	224,318
Postage & freight	30,439	33,442	63,881
Printing & publications	17,610	34,414	52,024
Professional fees	72,562	43,082	115,644
Property tax	601		601
Protocol gifts	15,212	780	15,992
Repair & maintenance	28,105		28,105
Salaries	2,773,717	958,646	3,732,363
Seminars & training	2,430	195	2,625
Supplies	98,338	1,979	100,317
Support for STAR	125,000		125,000
Telephone	60,504	3,023	63,527
Travel	180,554	102,579	283,133
Trophies & awards	28,140	21,946	50,086
Uniforms	1,183	10,329	11,512
Utilities	78,093		78,093
Vehicle lease	13,124		13,124
Vehicle maintenance	3,046		3,046
	\$ 7,127,250	\$ 2,194,083	\$ 9,321,333