

Frequently Asked Questions

Why was hockey a part of FLAA?

- Approximately 12 years ago hockey decided to partner with FLAA and the various other sports in an effort to improve the facilities available for all sports. The thought was one group would have a great influence in getting facility improvements. The first phases of the facility was building the ice arena and the various fields at the sport center. Future projects were to include additional fields as well as indoor facilities for various other sports (basketball, volleyball, etc) and even a potential community center.

Do we have any outstanding obligations to FLAA?

- We have no outstanding obligations to FLAA.

What's needed for us to separate from FLAA?

- We have hired an external attorney who sole focus is working with non-profit organizations to help us thru the transition. Forest Lake Hockey Association has existed as a non-profit corporation since September 25, 1985. While hockey has been a part of FLAA for approximately 12 years, its relationship was through the concept of a fiscal sponsorship. The original Forest Lake Hockey Association nonprofit corporate never merged with FLAA or ceased to exist. Therefore, we have reactivated the existing Forest Lake Hockey Association thru the state of Minnesota as well as the IRS. We have already received our federal tax ID number and are able to fully operate as an organization. We have also submitted an application to the IRS for 501(c)(3) status. We fully expect the application to be approved any day and be retroactive to a minimum of when the application was submitted. Since we are not yet considered a 501(c)(3) there are basically two restriction, neither of which are expected to impact our organization since we are in the middle of our off season. First we would need to pay sales tax on any purchases and second we are not able to fundraise as a 501(c)(3). Once we obtain 501(c)(3) approval both of these restrictions will be removed.

What have we been paying FLAA and what benefits have we received?

- Since January 2014, when the arena was purchased by the Forest Lake School District, we have paid FLAA a total of \$62,075. Of this amount \$6,325 was to purchase gift cards to give as nominal gifts to individuals who assisted the association with various activities, primarily tryouts, refereeing spring league and coordinating the fall clinic. The additional \$55,750 over this 4+ year period was for various FLAA fees, primarily an annual per player administration fee and annual audit fee. During this time frame we received direct support from FLAA to purchase approximately \$12,000 worth of equipment. No other direct support has been provided by FLAA.

Have we informed FLAA and what has been their reaction?

- On June 20th, the board voted to remove hockey from FLAA and our attorney immediately informed FLAA of our decision. We subsequently received a reply from FLAA's attorney on June 29th, with several accusations towards hockey and insisting FLAA will continue to operate a hockey program. Our attorney responded to FLAA the same day outlining how our actions were fully within our rights and that all hockey related activities were performed by the Forest Lake Hockey Association. Subsequently it is our understanding FLAA has also had their attorney send a letter to the Forest Lake School District with disparaging comments towards the Forest Lake Hockey Association in an attempt to interfere with our relationship and the contracts we have in place with the Forest Lake School District. In response to these actions, on July 12th our attorney sent a letter requesting FLAA stop interfering with FLHA, including making inaccuracies, accusations, false rumors and untruthful statements. We have requested FLAA provide us with any documents they have provided to the Forest Lake School district regarding FLHA by July 20th. As of now we have not received any material. Attached to this file is a copy of the three letters our attorney has provided to FLAA as well as the one letter we have received from FLAA's attorney for your reference. These letters are the only communication between both parties since our decision to depart FLAA.

Won't we miss out on any proceeds from charitable gambling?

- Over the past 4+ years we have received approximately \$12,000 worth of equipment thru FLAA's charitable gambling activities. We have asked FLAA on many occasions for a breakdown of the income being generated from charitable gambling and where the processes are used. However, FLAA has never provided us with any such information. Therefore, the only source we have for FLAA's charitable gambling activities is their federal tax returns. The federal tax returns for any non-profit organization is public information and one of the sources you can utilize to obtain a copy is Guidestar.org. Below is a breakdown of the gaming activities reflected on FLAA's tax return for the past 3 years.

	2016	2015	2014	3 Year Total
Gross income from gaming activities	3,798,451	3,608,681	2,475,227	9,882,359
Less direct expenses	3,775,309	3,551,366	2,400,883	9,727,558
Net income from gaming activities	23,142	57,315	74,344	154,801

Doesn't FLAA own the ice arena?

- The ice arena is owned and operated by the Forest Lake School District. The School district purchased the arena in January 2014.

Are we in good standing with the School District?

- We have a very good relationship with the School District and specifically the Arena Manager Mike Elam. Various members of our board and committees interact with Mike on a regular basis and have nothing but positive things to say about him. Mike has been instrumental in helping to make a number of improvements at the arena including installing taller glass in the main rink, purchasing new boards for the fieldhouse, creating a shooting area for kids and significantly improved the maintenance of the facility. He is open to feedback, trying new things and we have regular discussions with him about how we can make the arena better. Over the past 4+ years the Forest Lake School District has owned the area we have paid over \$1.4M to them for ice time and other activities. As recently announced we have entered into new 5 year agreements with the Forest Lake School District for renting ice, the concessions stand, storage facility, office and small conference rooms. All of these agreements are a testament to the great relationship we have with the Forest Lake School District. We look forward to continue to grow our partnership with the School District in the future.

How will the change benefit hockey?

- Operating as an independent organization will offer a number of benefits. First it will eliminate a significant expense of approximately \$12K that we have been paying FLAA annually. It will also make it much easier for us to operate. We estimate hockey member have been spending approximately 1000 hours annually attending FLAA meetings, providing FLAA information, responding to emails and even fundraising on behalf of FLAA. This time can now be used to help continue to improve the hockey association and items that directly benefit the kids in our programs. FLAA also has a requirement that they need to approve any contracts over \$5K. This can hinder our ability purchase ice at other areas or to enter into relationships with outside parties to provide services that will benefit the kids. Like many sports, hockey has evolved and many associations are now utilizing outside individuals to improve their programs. A perfect example of this is the relationships we have now established for goalie training and skating. We now have the ability to more easily pursue other such relationships. Finally the change will improve our ability to fundraise.

How will fundraising be improved?

- When trying to establish sponsorship relationships one of the questions we often receive is if your fundraising for hockey why is the organization called FLAA. By being a separate organization this confusion can be eliminated and it should be easier for us to pursue sponsors. Additionally if we were to hold a raffle under FLAA a portion of the proceeds would go to FLAA and we would need to coordinate the raffle thru FLAA. As a separate organization hockey will receive 100% of any proceeds. Finally some companies limit the amount of funds they will provide to any one organization in a year. As a result if another sport has already received a sponsorship from a company they may be less likely to provide a sponsorship to hockey if they are both operated under FLAA.

Are registration fees going to go down?

- For the upcoming season we do not anticipate any meaningful change in registration fees. The goal is our improved ability for fundraising will help reduce costs in the future.

Will the change have any impact to other sports?

- We know many of our players also participate in other sports and in no way is our departure meant to harm any of the other programs.



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June 20, 2018

Sent by U.S. Mail and E-mail

Forest Lake Athletic Association (hereinafter "FLAAA")
5530 206th St. N.
Forest Lake, MN 55025

RE: Removal from FLAAA

This firm represents Forest Lake Hockey Association (hereinafter "FLHA"), a Minnesota nonprofit corporation that has been reported to the IRS as part of Forest Lake Athletic Association (EIN: 41-1780770). Recently, FLHA filed its Form 1023 application with the IRS to obtain its own individual determination as a 501(c)(3) organization. Pursuant to IRS rules and regulations, FLHA is notifying FLAAA that it wishes to be removed from FLAAA's financial reports and governmental reporting. All monies collected by FLHA for its hockey operations, per Minnesota and Federal law, must be used consistently with the donors' expectations of continuing hockey operations, and, accordingly, those funds have been moved to FLHA's new bank account for that use.

FLHA is incredibly grateful to Forest Lake Athletic Association for its generosity in allowing FLHA to be part of its organization for these many years.

Please confirm your receipt of this letter. At your convenience, please let us know if you have any questions or concerns.

Yours Very Truly,

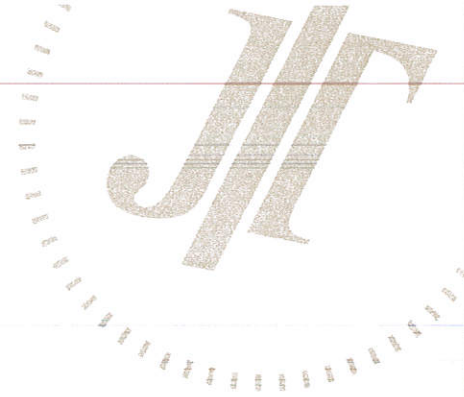
A handwritten signature in black ink that reads "J. Urban".



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JLU/ss

CC: Forest Lake Hockey Association Board of Directors



June 29, 2018

Jennifer L Urban
Attorney-at-law
West End office Park
5354 Parkdale Dr., Suite 103
St. Louis Park, MN 55416

RE: Our Client Forest Lake Athletic Association
Your Client: Forest Lake Hockey Association

Dear Ms. Urban

Our firm represents the Forest Lake Athletic Association (the "Association") in response to your letter of June 20, 2018.

My client has no issue with your client pursuing establishment and operation of its own hockey program. However the bank withdrawals that were made, one from the savings account on June 6, 2018 in the amount of \$12,702.38 and withdrawal from the checking account dated June 20,, 2018 in the amount of \$2,291.05 neither of which were authorized. Those funds must be returned by 4:00 p.m. Monday, July 1, 2018.

Under the Wells Fargo account agreements, two signatures were required for the checking account and savings account. Only one signature is on the savings account withdrawal and the checking. There were numerous checks that were recently signed, all of which required two signatures. Clearly the two signature requirement was known to the signer of the withdrawal form and the check. Wells Fargo has been notified concerning withdrawals and that they were not authorized, nor did they comply with the account agreements. The accounts were closed with the one signature, also an unauthorized action. One person does not have the authority to withdraw the funds or close the accounts.

Both accounts are owned by the Association, dba Forest Lake Hockey. These accounts are not owned by the entity of the Forest Lake Hockey Association The transfer of the funds to the Forest Lake Hockey Association was not approved by the Association Board. The payments are not an authorized expenditure by the Association or in furtherance of the Association's lawful purpose.

The Association continues a hockey program. The assumption in your letter that the funds will not be used for hockey operations is incorrect, and do not support the purported reason for the withdrawals.

Re: Forest Lake Athletic Association

June 29, 2018

Page 2

While I think it should be unnecessary to discuss any distribution of assets in the character of a dissolution or winding up, such an action would require the approval of the Association Board which has not occurred. In addition, any assets that would be transferred would require the approval of the Board of Directors. Any transfer would require that they be transferred to an organization with section 501 (C) (3) status. Your letter acknowledges your client does not have that status. Independent of the other reasons explained above, the withdrawals violate the federal statute, and the Association articles.

If the entirety of the funds \$14,993.43, are not returned by 4:00 p.m. on July 1, 2018, the Association will pursue its legal remedies.

Sincerely,

JOHNSON / TURNER LEGAL



Jack W. Clinton

cc: Mr. Al Hauge, FLAAA



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June 29, 2018

Sent by U.S. Mail and E-mail

Jack W. Clinton, Esq.
56 E. Broadway Ave., Suite 206
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(651) 464-7292
jack@johnsonturner.com

cc: Forest Lake Athletic Association (hereinafter "FLAAA")
5530 206th St. N.
Forest Lake, MN 55025

RE: Removal from FLAAA

Thank you for your letter. My client, Forest Lake Hockey Association (hereinafter "FLHA") will not be "returning" any funds to FLAAA for the following reasons:

- 1.) FLHA has existed as a nonprofit corporation since September 25, 1985. It simply relied on FLAAA's 501(c)(3) status through the concept of fiscal sponsorship for these many years. It is FLAAA's error that there was no Fiscal Sponsorship Agreement in place setting out the parties' duties and expectations if it wished there be some. FLHA complied with all legal requirements to exit the parties' fiscal sponsorship arrangement. Money was not transferred to FLHA's new bank account until the application for 501(c)(3) status was submitted, and the IRS will backdate FLHA's 501(c)(3) status to the date it received the application (at a minimum) and to an earlier date (expected) since FLHA requested retroactive status per f1023 Schedule E. Accordingly, the concepts and legal requirements associated with "dissolution" are inapplicable.
- 2.) The FLAAA Bylaws do not require two signatures to be used. The FLAAA Bylaws state:
 - a. Article IX, Section 5, Paragraph B: "Establish a checking account requiring two signatures."
 - b. Article XI, Section 6: "All checking accounts require two signatures."

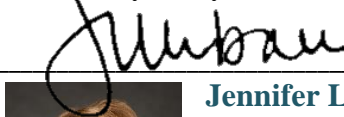
The FLAAA Bylaws do not require checks to have two signatures, just that an account be established requiring two signatures. That was done. And, the two-signature requirement does not require a FLAAA signature, only two FLHA signatures. Historically, FLHAA has never countersigned any of FLHA's checks or provided any direct oversight/approval of organizational expenditures. FLHA's position is that it did not need approval from FLAAA to transfer funds, and historical precedent supports that position.

- 3.) Your issue is with Wells Fargo, not FLHA:
 - a. If Wells Fargo does not abide by the internal control associated with one of its accounts, that is not the account holder's fault; rather, it's the bank's error. With that said, FLHA operated in accordance with the FLAAA policy requiring two signatures.

- b. FLHA did not close its existing accounts via check. Wells Fargo issued a cashier's check to a valid signatory on the account. Again, if FLAAA takes issue with this, it can contact Wells Fargo.
- 4.) FLAAA does not have an active hockey program. It *had* a hockey program. FLHA has acted as FLAAA's hockey program and continues to occupy that program. First, FLHA has entered into a contract with the Forest Lake School District for usage of the Forest Lake Area Schools Sports Center, and FLAAA was notified on June 28, 2018 by Mike Elam that its lease has expired. As such, FLAAA has no current access to ice time in order to run a hockey program. Second, FLAAA has no directors, officers, coaches, or participants related to the sport of hockey; those were all a function of FLHA. As such, FLAAA has no persons to operate or participate in a hockey program. All monies collected by FLHA for its hockey operations, per Minnesota and Federal law, must be used consistently with the donors' expectations of continuing hockey operations, and, accordingly, those funds have been moved to FLHA's new bank account for that use.

Again, FLHA is incredibly grateful to Forest Lake Athletic Association for its generosity in allowing FLHA to be part of its organization for these many years. We are sorry it has to end on these terms.

Yours Very Truly,



Jennifer L. Urban

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JLU/ss

CC: Forest Lake Hockey Association Board of Directors



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July 12, 2018

Sent by U.S. Mail and E-Mail

Jack W. Clinton, Esq.
56 E. Broadway Ave., Suite 206
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(651) 464-7292
jack@johnsonturner.com

cc: Forest Lake Athletic Association (hereinafter "FLAAA")
5530 206th St. N.
Forest Lake, MN 55025

RE: Cease and Desist Demand

Dear Mr. Clinton,

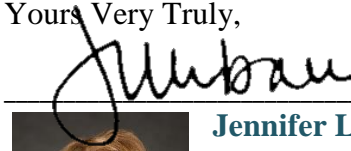
When Forest Lake Hockey Association (hereinafter "FLHA") provided notice to FLAAA of the intent to separate for tax purposes on June 20, 2018, FLAAA responded on June 29, 2018, by making demands and unenforceable threats. FLHA responded the same day to each demand and threat in writing. Instead of responding directly to FLHA with its concerns, FLAAA, upon information and belief through yourself and Al Hauge, issued a letter to Forest Lake Public School District #831 stating, falsely, that FLAAA is still running a hockey association and that FLHA is not a legal organization with the ability to operate a hockey program. These inaccuracies and accusations, as well as other false rumors and untruthful statements made to the general public, are unacceptable, only serve to escalate the conflict between FLAAA and FLHA, and are viewed as not only harassment, but reckless disruption of FLHA's business operations. Let me be clear: The conflict here is between FLAAA and FLHA, and Forest Lake Public School District #831/Forest Lake Area Schools Sports Center should not be inserted into that conflict.

FLHA demands that you immediately cease and desist from these and any further public actions related to FLHA and its operations that are reckless, misleading, fraudulent, and/or harassing in nature. Moreover, FLHA demands that you immediately provide copies of all files, records, and documents, regardless of medium or format, you provided to either Forest Lake Public School District #831 or the Forest Lake Area Schools Sports Center, including, but not limited to: all documents, papers, correspondence, and information (of whatever nature) relating to FLHA. These files, records, and documents **must be provided by close of business on Friday, July 20, 2018.**

If you do not provide the records and cease and desist from these defamatory and illegal actions, we will pursue our remedies in the courts. Your reckless acts and omissions have caused great damage to FLHA. We request that you put your insurance carrier(s) on notice of claims regarding this matter and comply with this demand immediately.

I would be happy to speak with you further about this matter. If you have any questions or concerns, please contact me at your convenience.

Yours Very Truly,



Jennifer L. Urban

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JLU/sig.

Encl.

Cc: Forest Lake Hockey Association Board of Directors