

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

**Financial Statements and
Supplemental Schedules**

For the Year Ended August 31, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
USA Hockey, Inc.,
USA Hockey Foundation and subsidiaries,
Hockey and Rink Protection, Inc.

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, 2016, and the related consolidating statements of activities and cash flows for the year then ended, and the related notes to the consolidated 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.

Auditors' 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 \$6,425,440 as of August 31, 2016, and total support and revenues of \$810,079 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Hockey and Rink Protection, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditors' 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, 2016, 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, 2015 consolidating financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited 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 financial statements as a whole. The supplemental schedules of program and supporting services are presented for purposes of additional analysis and are not a required part of the 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 America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
October 31, 2016

USA HOCKEY, INC.
USA HOCKEY FOUNDATION
HOCKEY AND RINK PROTECTION, INC.
Consolidating Statement of Financial Position
August 31, 2016
(With Consolidated Totals for 2015)

	USA Hockey, Inc.	USA Hockey Foundation and Subsidiaries	Hockey and Rink Protection, Inc.	Eliminating Entries	Consolidated Totals 2016	Consolidated Totals 2015
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 9,073,779	\$ 1,481,838	\$ 2,862,779	\$	\$ 13,418,396	\$ 16,489,349
Restricted cash	726,554				726,554	726,117
Short-term investments (Note B)			3,407,893		3,407,893	3,075,294
Accounts receivable	1,326,150	848,048			2,174,198	1,851,992
Short-term pledges receivable, net (Note D)		60,000			60,000	30,000
Due from USA Hockey, Inc.		47,609		(47,609)		
Due from USA Hockey Foundation	907,184			(907,184)		
Due from USOC	4,000				4,000	
Inventory		183,176			183,176	190,077
Grants receivable from USA Hockey Foundation	3,637,431			(3,637,431)		
Prepaid expenses	1,763,849	329,241	154,213		2,247,303	2,143,674
Total current assets	17,438,947	2,949,912	6,424,885	(4,592,224)	22,221,520	24,506,503
LONG-TERM INVESTMENTS (Note B)		19,589,658			19,589,658	21,400,561
LONG-TERM PLEDGES RECEIVABLE, net		60,911			60,911	43,464
PROPERTY AND EQUIPMENT -						
at cost (Note E)	6,733,458	30,974,367			37,707,825	31,797,832
Less accumulated depreciation	(4,393,577)	(2,093,001)			(6,486,578)	(5,373,871)
Property and equipment, net	2,339,881	28,881,366			31,221,247	26,423,961
OTHER ASSETS (Note F):						
Artwork		400,000			400,000	
Other assets			555		555	400,000
Investment in HARP (Note I)	750,000			(750,000)		4,541
Intangible assets, net of amortization of \$54,833 and \$20,026		652,845			652,845	700,907
Total other assets	750,000	1,052,845	555	(750,000)	1,053,400	1,105,448
TOTAL ASSETS	\$ 20,528,828	\$ 52,534,692	\$ 6,425,440	\$ (5,342,224)	\$ 74,146,736	\$ 73,479,937

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 2,653,379	\$ 537,474	\$ 1,339,283	\$ 4,530,136	\$ 4,503,491
Accrued payroll and related benefits	785,168	247,143		1,032,311	863,743
Deferred revenue (Note G)	14,068,861	82,810		14,151,671	13,757,928
Due to USA Hockey, Inc.		907,184	(907,184)		
Due to USA Hockey Foundation	47,609		(47,609)		
Due to USOC	5,420			5,420	
Grants payable to USA Hockey, Inc.		3,637,431	(3,637,431)		
Current portion of bonds payable (Note H)		1,134,489		1,134,489	369,641
Total current liabilities	17,560,437	6,546,531	1,339,283	(4,592,224)	20,854,027
					19,494,803
LONG-TERM LIABILITIES:					
Deferred revenue - long term		14,574		14,574	4,055
Bonds payable (Note H)		17,995,870		17,995,870	19,130,359
Total liabilities	17,560,437	24,556,975	1,339,283	(4,592,224)	38,864,471
					38,629,217
NET ASSETS:					
Unrestricted	2,968,391	26,319,504	5,086,157	(750,000)	33,624,052
Temporarily restricted (Note K)		1,500,337			1,500,337
Permanently restricted (Note L)		157,876			157,876
Total net assets	2,968,391	27,977,717	5,086,157	(750,000)	35,282,265
					34,850,720
TOTAL LIABILITIES AND NET ASSETS	\$ 20,528,828	\$ 52,534,692	\$ 6,425,440	\$ (5,342,224)	\$ 74,146,736
					\$ 73,479,937

See Notes to Consolidating Financial Statements

USA HOCKEY, INC.
USA HOCKEY FOUNDATION
HOCKEY AND RINK PROTECTION, INC.
Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2016
(With Consolidated Totals for 2015)

	USA Hockey, Inc.	USA Hockey Foundation	Hockey and Rink Protection, Inc.	Eliminating Entries	Consolidated Totals 2016	Consolidated Totals 2015
REVENUE:						
Membership registrations and dues	\$ 26,480,206	\$	\$	\$	\$ 26,480,206	\$ 25,709,262
National Hockey League (Note O)		9,200,000			9,200,000	9,200,000
Corporate sponsorship	3,094,592				3,094,592	3,110,830
Tournaments and exhibitions	2,457,546				2,457,546	2,717,469
Plymouth income, net of cost of goods sold		2,093,067			2,093,067	715,894
USOC grants (Note N)	1,451,000				1,451,000	1,427,500
Investment income (loss) (Note C)	3,972	1,186,823	247,079		1,437,874	(1,422,009)
Contributions & other grants	117,626	585,804		(1,800)	701,630	674,509
Other income	442,064	72,864			514,928	369,464
Advertising and merchandise sales, net of costs	165,231	301,282			466,513	540,682
Rental income, net of rental expenses (Note N)		1,181,033		(717,500)	463,533	(158,552)
USA Hockey Foundation grants	8,123,139			(8,123,139)		
Insurance premiums			563,000	(563,000)		
Satisfied program restrictions	38,661	435,065			473,726	297,027
Total unrestricted revenue	42,374,037	15,055,938	810,079	(9,405,439)	48,834,615	43,182,076
EXPENSES:						
Program services:						
Membership services	9,629,768		329,752	(563,000)	9,396,520	9,617,713
International programs	6,581,956				6,581,956	6,067,539
Plymouth AC program		4,179,062			4,179,062	1,414,464
National team development	4,065,771			(350,000)	3,715,771	3,687,838
Player development	3,032,854	8,982,731		(8,123,139)	3,892,446	3,602,457
Officials	2,547,107				2,547,107	2,321,555
Coaching	2,308,548				2,308,548	2,043,391
American development model	2,032,306				2,032,306	2,119,556
Adult hockey	1,569,654				1,569,654	1,970,906
Annual Congress/						
Mid-Winter Meetings	1,032,219				1,032,219	1,258,532
Membership development	974,989				974,989	1,235,316
Youth program	780,974				780,974	662,893
Junior program	523,481				523,481	467,213
Internet project	388,143				388,143	354,761
Patty Kazmaier Memorial Award		33,440			33,440	29,028
Alumni program		5,400			5,400	5,200
B. Burke internship		529			529	
Total program services	35,467,770	13,201,162	329,752	(9,036,139)	39,962,545	36,858,362

Supporting services:						
General and administrative	5,470,918	1,225,105		(369,300)	6,326,723	4,809,274
Marketing and fundraising	<u>1,355,702</u>	<u>817,297</u>			<u>2,172,999</u>	<u>2,537,920</u>
Total supporting services	<u>6,826,620</u>	<u>2,042,402</u>		<u>(369,300)</u>	<u>8,499,722</u>	<u>7,347,194</u>
Total unrestricted expenses	<u>42,294,390</u>	<u>15,243,564</u>	<u>329,752</u>	<u>(9,405,439)</u>	<u>48,462,267</u>	<u>44,205,556</u>
CHANGE IN UNRESTRICTED NET ASSETS	79,647	(187,626)	480,327		372,348	(1,023,480)
TEMPORARILY RESTRICTED NET ASSETS (Note K):						
Contributions		262,227			262,227	234,037
Grants		250,000			250,000	99,000
Patty Kazmaier Memorial		16,340			16,340	15,930
Investment income		356			356	379
Less satisfied program restrictions	<u>(38,661)</u>	<u>(435,065)</u>			<u>(473,726)</u>	<u>(297,027)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(38,661)	93,858			55,197	52,319
PERMANENTLY RESTRICTED NET ASSETS (Note L):						
Contributions		4,000			4,000	4,000
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		4,000			4,000	4,000
CHANGE IN NET ASSETS	40,986	(89,768)	480,327		431,545	(967,161)
NET ASSETS, beginning of year	3,927,405	27,067,485	4,605,830	(750,000)	34,850,720	35,817,881
TRANSFER OF NET ASSETS	<u>(1,000,000)</u>	<u>1,000,000</u>				
NET ASSETS, end of year	<u>\$ 2,968,391</u>	<u>\$ 27,977,717</u>	<u>\$ 5,086,157</u>	<u>\$ (750,000)</u>	<u>\$ 35,282,265</u>	<u>\$ 34,850,720</u>

See Notes to Consolidating Financial Statements

USA HOCKEY, INC.
USA HOCKEY FOUNDATION
HOCKEY AND RINK PROTECTION, INC.
Consolidating Statement of Cash Flows
For the Year Ended August 31, 2016
(With Consolidated Totals for 2015)

	USA Hockey, Inc.	USA Hockey Foundation	Hockey and Rink Protection, Inc.	Eliminating Entries	Consolidated Totals 2016	Consolidated Totals 2015
CASH FLOWS FROM OPERATING ACTIVITIES:						
Change in net assets	\$ 40,986	\$ (89,768)	\$ 480,327	\$	\$ 431,545	\$ (967,161)
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation and amortization	562,839	781,241			1,344,080	719,047
Realized gains on investments		(929,477)	23,732		(905,745)	(1,563,579)
Unrealized losses on investments		119,710	(11,956)		107,754	3,628,781
Loss on disposal of intangible assets	4,227				4,227	
Decrease (increase) in assets:						
Restricted cash	(437)				(437)	(584)
Accounts receivable	(549,261)	227,055			(322,206)	2,657,540
Short-term pledges receivable, net		(30,000)			(30,000)	60,000
Due from USA Hockey, Inc.		(47,609)		47,609		
Due from USA Hockey Foundation	(462,262)			462,262		
Due from USOC	(4,000)				(4,000)	
Inventory		6,902			6,902	(190,077)
Grants receivable from USA Hockey Foundation	148,876			(148,876)		
Prepaid expenses	(164,414)	38,140	22,645		(103,629)	(298,664)
Long-term pledges receivable, net		(17,447)			(17,447)	(30,811)
Other assets			3,986		3,986	(53)
Increase (decrease) in liabilities:						
Accounts payable	260,393	(116,221)	(117,527)		26,645	851,952
Accrued payroll and related benefits	132,869	35,699			168,568	179,595
Legal settlement advance						
Deferred revenue	391,716	12,546			404,262	1,044,853
Due to USA Hockey, Inc.		462,262		(462,262)		
Due to USA Hockey Foundation	47,609			(47,609)		
Due to USOC	5,420				5,420	
Grants payable to USA Hockey, Inc.		(148,876)		148,876		
Total adjustments	373,575	393,925	(79,120)		688,380	7,058,000
Net cash provided by operating activities	414,561	304,157	401,207		1,119,925	6,090,839

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(1,027,010)			(1,027,010)	(23,111,399)
Acquisition of intangible assets		(5,070,522)		(5,070,522)	(595,001)
Purchase of available for sale investments		(2,579,998)	(504,375)	(3,084,373)	(4,632,641)
Proceeds from available for sale investments		<u>5,200,668</u>	<u>160,000</u>	<u>5,360,668</u>	<u>8,041,319</u>
Net cash used by investing activities	(1,027,010)	(2,449,852)	(344,375)	(3,821,237)	(20,297,722)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from bond issuance		(369,641)		(369,641)	19,500,000
Principal payments on bonds payable		<u>1,000,000</u>			(1,440,000)
Transfer to USA Hockey Foundation	(1,000,000)				
Net cash provided (used) by financing activities	(1,000,000)	<u>630,359</u>		(369,641)	<u>18,060,000</u>
NET INCREASE (DECREASE) IN CASH	(1,612,449)	(1,515,336)	56,832	(3,070,953)	3,853,117
CASH AND CASH EQUIVALENTS, beginning of year	<u>10,686,228</u>	<u>2,997,174</u>	<u>2,805,947</u>	<u>16,489,349</u>	<u>12,636,232</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 9,073,779</u>	<u>\$ 1,481,838</u>	<u>\$ 2,862,779</u>	<u>\$ 13,418,396</u>	<u>\$ 16,489,349</u>

See Notes to Consolidating Financial Statements

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

Notes to Consolidating Financial Statements

For the Year Ended August 31, 2016

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 Statement requires consolidation when one nonprofit has a financial interest and controls the appointment of a majority of the board of directors of another nonprofit entity.

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

Organization

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

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

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

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

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Organization - continued

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

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 Foundation's exempt purpose 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 June 30, 2017.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation and Amortization

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

Amortization is recorded on the bond issuance cost, 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 \$1,344,080 and \$719,047 for the years ended August 31, 2016 and 2015, 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.

Investments

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

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments - 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, 2016, 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 \$616,403 and \$277,498 for the years ended August 31, 2016 and 2015, 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, 2016 and 2015.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2016 and 2015.

Reserve for Unpaid Losses

HARP's reserve for unpaid losses includes case basis estimates of reported losses, plus supplemental reserves for incurred but not reported losses calculated based upon loss projections utilizing USA Hockey, Inc.'s historical loss history and industry data. In establishing this reserve, HARP utilizes the findings of an independent consulting actuary. Management believes that its aggregate reserve for unpaid losses at year end represents its best estimate, based on the available data, of the amount necessary to cover the ultimate cost of losses; however, because of the nature of the insured risks and limited historical experience, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the statement of financial position date. Accordingly, the ultimate liability could be significantly in excess of, or less than, the amount indicated in these financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Notes to Consolidating Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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, 2015, 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, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 31, 2016, 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).

Notes to Consolidating Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

The three levels of fair value hierarchy are as follows:

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

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis at August 31, 2016 and 2015:

Assets at Fair Value as of August 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ 1,612,998	\$	\$	\$ 1,612,998
Mutual funds	3,407,893			3,407,893
Equities	12,250,967			12,250,967
Fixed income	4,403,416			4,403,416
USOE pooled fund		1,322,277		1,322,277
	<u>\$ 21,675,274</u>	<u>\$ 1,322,277</u>	<u>\$</u>	<u>\$ 22,997,551</u>

Assets at Fair Value as of August 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ 4,453,413	\$	\$	\$ 4,453,413
Mutual funds	3,075,294			3,075,294
Equities	11,364,020			11,364,020
Fixed income	4,326,107			4,326,107
USOE pooled fund		1,257,021		1,257,021
	<u>\$ 23,218,834</u>	<u>\$ 1,257,021</u>	<u>\$</u>	<u>\$ 24,475,855</u>

Notes to Consolidating Financial Statements

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, 2016, the USOE portfolio consisted of the following types of securities:

Alternative investments	37.30%
Domestic equities	30.37
International equities	20.55
Domestic bonds	6.89
International bonds	2.99
Cash & cash equivalents	<u>1.90</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 \$3,407,893 and \$3,075,294 at August 31, 2016 and 2015, respectively.

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

Notes to Consolidating Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

The Foundation's long-term investments are carried at quoted market values and consist of the following at August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Equities	\$ 12,250,967	\$ 11,364,020
Fixed income	4,403,416	4,326,107
Money market accounts	1,612,998	4,453,413
USOE pooled fund	<u>1,322,277</u>	<u>1,257,021</u>
Market value	<u>\$ 19,589,658</u>	<u>\$ 21,400,561</u>
Cost	<u>\$ 19,469,949</u>	<u>\$ 18,029,434</u>

The above categories include \$1,322,277 at August 31, 2016 and \$1,257,021 at August 31, 2015 invested in a pooled portfolio managed by the United States Olympic Endowment (USOE). The remainder of the Foundation's investment portfolio is managed by Deutsche Asset and Wealth Management, UBS Financial Services, Inc., and Wells Fargo.

C. INVESTMENT INCOME (LOSS)

Investment income (loss) consists of the following for the years ended August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Realized gains on investments	\$ 905,745	\$ 1,563,579
Interest and dividends	652,195	643,572
Unrealized losses on investments	<u>(119,710)</u>	<u>(3,628,781)</u>
	<u>\$ 1,438,230</u>	<u>\$ (1,421,630)</u>

D. PLEDGES RECEIVABLE

As of August 31, 2016, the Foundation had net pledges receivable of \$120,911, representing promises to give made during the current and prior years. The pledges are scheduled to be received by the Foundation during the next three years. Long-term portions of the pledges were discounted using an interest rate of 2.00%. The discount on pledges receivable was \$4,089 at August 31, 2016.

Notes to Consolidating Financial Statements

E. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 26,871,736	\$ 22,928,152
Equipment, furniture and technology	5,715,171	5,115,495
Land	3,295,000	3,295,000
Program equipment	1,825,918	459,185
Less accumulated depreciation	<u>(6,486,578)</u>	<u>(5,373,871)</u>
	<u>\$ 31,221,247</u>	<u>\$ 26,423,961</u>

F. OTHER ASSETS

Included in intangible assets at August 31, 2016, are bond issuance and start-up costs incurred by the Foundation and subsidiaries of \$720,933 less amortization of \$68,088.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Registrations and tournament fees	\$ 13,041,945	\$ 12,307,325
Seminar and clinic fees	583,435	542,290
Officials Affiliate fees	182,266	154,776
Sponsor payment	156,250	293,750
Transfer card fees	96,000	112,000
Plymouth Arena Programs	87,975	84,838
Beck Road Programs	9,409	
Other	8,965	7,004
USOC grant		260,000
	<u>\$ 14,166,245</u>	<u>\$ 13,761,983</u>

Notes to Consolidating Financial Statements

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.

The letter of credit was secured by all building and construction materials, equipment or other personal property of any nature used in the construction of the improvements of the headquarters building in Colorado Springs.

The Foundation pledged a first lien on and security interest in the headquarters building in Colorado Springs. In addition, the Foundation represented that, without the prior written consent of JP Morgan Chase, the tangible net worth of the Foundation would not be less than \$3,000,000 at the end of each fiscal year; the unrestricted cash and cash equivalents, including investments, would not be less than \$6,000,000. Additional negative loan covenants restrict the Foundation from substantially altering its business activities, guaranteeing certain obligations, and changing certain investment policies. The annual fee for the letter of credit was .97 percent of the stated amount.

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.

Colorado Educational and Cultural Facilities Authority (CECFA) issued Refunding and Improvement Revenue Bonds (USA Hockey Project - Plymouth AC, LLC), Series 2015A (2015A), in the original aggregate principal amount of \$11,400,000 pursuant to the terms of an Indenture of Trust, Dated as of

Notes to Consolidating Financial Statements

H. BONDS PAYABLE - Continued

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. The initial rate on these bonds is 2.95% 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 of \$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 Trustee. 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 rate will adjust. These bonds are secured by readily marketable securities margined based on asset type and held in a custodial account at Wells Fargo Bank, NA.

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. The Foundation, Plymouth AC and USA Hockey, Inc. are required to obtain bank approval prior to incurring additional debt in excess of \$100,000. Additional negative loan covenants restrict the Foundation from substantially altering its business activities, guaranteeing or incurring certain obligations, and changing certain investment policies.

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

Notes to Consolidating Financial Statements

H. BONDS PAYABLE - Continued

Monthly payments of interest only for the initial 12 month term are due on both Series 2015A and 2015B. Future minimum principal payments due for the years ending August 31 are as follows:

	<u>2015A</u>	<u>2015B</u>	<u>Total</u>
2017	\$ 172,500	\$ 961,989	\$ 1,134,489
2018	192,894	978,409	1,171,303
2019	213,730	995,589	1,209,319
2020	458,138	791,523	1,249,661
2121	936,322	359,147	1,295,469
Thereafter	9,371,625	3,698,493	13,070,118

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, HARP must receive written approval from the Department. No distributions have been declared or paid in 2016 and 2015. There were no material differences between the audited financial statements and the annual reports filed with the Department.

J. BOARD DESIGNATED NET ASSETS

In prior years, the Board of Directors of the Foundation had designated a portion of the Foundation's unrestricted net assets for future international events. During the year ended August 31, 2015, the Board adopted a resolution to utilize these funds in connection with the purchase of the arena in Michigan.

K. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the Corporation and Foundation at August 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
National Team development	\$ 339,655	\$ 339,655
Patty Kazmaier Memorial	247,017	264,116
B. Burke Internship	191,722	184,409
Youth hockey	162,184	135,966

Notes to Consolidating Financial Statements

K. TEMPORARILY RESTRICTED NET ASSETS - Continued

Restricted pledges	120,911	72,964
Walter Bush fund	90,065	90,065
Ron DeGregorio Goaltending Fund	59,941	54,676
Disabled athlete program	56,646	38,898
Try Hockey for Free Equipment	55,556	55,556
Resource library	48,160	48,991
Women's Hockey	29,526	28,176
Disabled youth program	25,000	25,000
Pass It Forward	15,000	
Paralympic Sled Hockey Team	14,028	13,928
Wounded Warriors/disabled program	11,800	11,700
Heads Up Don't Duck program	10,000	10,000
Rink conversion program	8,511	8,511
Men's National Team	5,424	4,224
Brian Fishman Memorial	5,039	4,796
International player development	1,750	1,750
Underprivileged children	1,702	1,702
Grow the Game	350	350
USA Hockey Hall of Fame	150	150
Safety programs	100	100
Referee program	100	100
Treadmill		38,661
Craig H. Nielsen Foundation		10,696
	<u>\$ 1,500,337</u>	<u>\$ 1,445,140</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended August 31, 2016 and 2015, net assets were released from restrictions by satisfying the following restricted purposes:

	<u>2016</u>	<u>2015</u>
Pass It Forward	\$ 235,000	\$
Starts with a stick	99,717	88,113
Restricted pledges	50,000	75,000
Treadmill	38,661	
Patty Kazmaier Memorial	33,439	29,028
Craig H. Nielsen Foundation	10,696	88,304
Youth hockey	5,382	5,554
Resource library	831	1,028
Paralympic Sled Hockey team		10,000
	<u>\$ 473,726</u>	<u>\$ 297,027</u>

Notes to Consolidating Financial Statements

L. PERMANENTLY RESTRICTED NET ASSETS - Continued

Permanently restricted net assets for the Foundation at August 31, 2016 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, 2016 and 2015, the underlying assets of the endowment fund are included in the statement of financial position as cash.

M. 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 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, 2016, the original gift was 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.

Notes to Consolidating Financial Statements

M. ENDOWMENT FUNDS - Continued

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.

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, September 1, 2014	\$ 4,560	\$ 149,876	\$ 154,436
Contributions		4,000	4,000
Investment income	<u>236</u>	<u></u>	<u>236</u>
Endowment net assets, August 31, 2015	4,796	153,876	158,672
Contributions		4,000	4,000
Investment income	<u>243</u>	<u></u>	<u>243</u>
Endowment net assets, August 31, 2016	<u>\$ 5,039</u>	<u>\$ 157,876</u>	<u>\$ 162,915</u>

Return Objectives and Risk Parameters

The Foundation has adopted objectives and parameters in its investment policy for the purpose of providing reasonably predictable earnings while preserving the required fair value of the Endowment's 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.

Notes to Consolidating Financial Statements

N. 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, 2016 and 2015 consist of the following project categories:

	<u>2016</u>	<u>2015</u>
Performance partnership agreement	\$ 1,040,000	\$ 1,065,000
Paralympic high performance funding	391,000	352,500
International relations grant	<u>20,000</u>	<u>10,000</u>
	<u>\$ 1,451,000</u>	<u>\$ 1,427,500</u>

The USOC also provided VIK airfare support during the years ended August 31, 2016 and 2015.

During the years ended August 31, 2016 and 2015, the International Ice Hockey Federation (IIHF) provided support to the Corporation of \$1,428,000 and \$1,396,000 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 \$62,862 and \$125,346 for the years ended August 31, 2016 and 2015, respectively.

During the years ended August 31, 2016 and 2015, the Foundation provided grants to the Corporation in the amount of \$8,123,139 and \$8,380,392, respectively. At August 31, 2016 and 2015, USA Hockey Foundation owed \$3,637,431 and \$3,786,307, respectively, to the Corporation for these grants.

USA Hockey, Inc. provides certain administrative and accounting services to the Foundation for an annual fee of \$1,800. At August 31, 2016 and 2015, USA Hockey Foundation owed \$490,828 and \$284,712 to USA Hockey, Inc., respectively, for 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, over the next ten years.

Notes to Consolidating Financial Statements

N. AFFILIATED ORGANIZATIONS - Continued

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 \$886,032 and \$343,669 for the years ended August 31, 2016 and 2015, respectively. At August 31, 2016 and 2015, Plymouth AC owed \$404,295 and \$160,210 to USA Hockey, Inc., respectively, for administrative costs. At August 31, 2016 and 2015, Beck Road owed \$12,061 and \$0 to USA Hockey, Inc., respectively, for administrative costs.

O. 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 and membership development, plus support for the United States Hockey League and College Hockey Inc.

P. INSURANCE ACTIVITY

HARP provides occurrence-based deductible reimbursement general liability coverage to USA Hockey, Inc. and its Affiliates. For the policy periods during 2016 and 2015, 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.

HARP also provides occurrence-based excess sexual abuse coverage to USA Hockey, Inc. participants. The limits under this policy are \$2,000,000 annual aggregate in excess of underlying limits of \$2,000,000 per person with a \$15,000,000 aggregate with respect to coverage provided with the primary general liability coverage and limits of \$9,000,000 per occurrence with a \$9,000,000 aggregate with respect to coverage provided within excess general liability coverage.

Notes to Consolidating Financial Statements

P. INSURANCE ACTIVITY - Continued

HARP also provided occurrence-based accident and sickness coverage to USA Hockey, Inc. participants through an accident and sickness policy. 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 in 2016.

HARP also provided legal expense reimbursement coverage to USA Hockey, Inc. The limits under this policy are \$250,000 per occurrence, with a \$250,000 annual aggregate. This coverage was not renewed in 2016.

The general liability and excess sexual abuse policies in the preceding paragraphs cover certified terrorism as defined under the 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 of \$100 million. The coverage provided by HARP is eligible under TRIA for 85% co-insurance protection 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 15% share of certified terrorism losses. The 2007 extension of the TRIA program expired on December 31, 2014.

On January 12, 2015, the President of the United States signed the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA) into law extending TRIA through December 31, 2020. TRIPRA increases the industry insured loss trigger for the federal share of compensation for certified acts of terrorism by \$20 million annually beginning January 1, 2016 until it reaches \$200 million on January 1, 2020. Finally, under TRIPRA, the federal government's co-insurance protection gradually decreases from 85% to 80%, dropping one percent annually beginning January 1, 2016. The federal government's co-insurance protection for 2016 and 2015 was 84% and 85%, respectively.

HARP maintains an arrangement with K&K Insurance Group for claims administration, to be used for payments of losses on behalf of HARP. HARP has made a loss escrow account deposit of \$154,213 and \$176,858 as of August 31, 2016 and 2015, respectively.

Notes to Consolidating Financial Statements

P. INSURANCE ACTIVITY - Continued

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

Balance at September 1, 2015	\$ 1,436,910
Incurred and related to current year	287,907
Incurred and related to prior years	(82,738)
Paid and related to current year	(11,503)
Paid and related to prior years	<u>(374,253)</u>
Balance at August 31, 2016	<u>\$ 1,256,323</u>

As a result of changes in estimates on insured events in the prior year, incurred losses decreased by \$82,738 and \$124,343 in 2016 and 2015, respectively, which was a result of favorable development related to HARP's deductible reimbursement general liability coverage.

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 \$54,089 and \$54,449 for 2016 and 2015, 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 salary of each employee who elects to defer wages.

The Corporation also makes semi-annual discretionary contributions for all eligible employees. Foundation 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.

Notes to Consolidating Financial Statements

R. RETIREMENT PLAN - Continued

Total pension expense for the years ended August 31, 2016 and 2015 amounted to \$678,774 and \$602,781, 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 leases a training facility in Michigan for the benefit of the National Team Development Program (NTDP). The original lease, which commenced in August 1997, has been extended twice and expired in August 2008. A restated lease was entered into as of May 2008 which extended the original lease to August 2011. This restated lease also provided for an additional extension through August 2015, upon which it expired. The Corporation paid \$0 and \$121,581 of rent under this lease agreement during the years ended August 31, 2016 and 2015, respectively.

The Corporation has two operating lease agreements for vehicles and a lease for warehouse space in Colorado Springs. The vehicle agreements expire in June 2017 and February 2019 and require payments of \$489 and \$615 per month. The warehouse agreement expires August 2018. This lease requires payments of \$3,250 per month for the upcoming fiscal year.

The Corporation also leases two postage meters. One lease requires monthly payments of \$349 through April 2019. The other lease requires quarterly payments of \$349 through September 2017.

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

2017	\$	56,794
2018		48,427
2019		5,872

Notes to Consolidated Financial Statements

T. COMMITMENTS AND CONTINGENT LIABILITIES - Continued

The Corporation's total rent expense amounted to \$102,520 and \$178,510, respectively, for the years ended August 31, 2016 and 2015.

The Corporation has multi-year employment contracts with four 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, INC.
USA HOCKEY FOUNDATION
HOCKEY AND RINK PROTECTION, INC.
Schedule of Program Services
For the Year Ended August 31, 2016

	Membership Services	International Programs	Plymouth Arena Program	National Team Development	Player Development	Officials	Coaching	American Development Model
Salaries	\$ 1,092,560	\$ 862,627	\$ 1,141,349	\$ 1,110,522	\$	\$ 415,778	\$ 321,602	\$ 838,127
Payroll taxes	71,017	58,840	97,731	81,892		31,561	23,918	64,274
Health insurance	170,610	120,471		139,930		51,537	55,705	169,148
Pension plan	81,651	67,577	66,441	67,802		31,684	27,328	60,674
Audio/visual								
Advertising & promotion	63,568		277,066	6,957			176	58,200
Bad debt			850					
Contributions			8,912					
Children's skate classes			64,253					
Vehicle lease		6,116						
Building maintenance			348,567	454				
Depreciation & amortization			163,222					
Dues & subscriptions	6,645	334,215	3,522			5,436	99	7,589
Equipment	11,575	241,611	144,231	25,983	12,592	42,551	147,913	68,504
Interest			281,790					
Computer maintenance & support	96,839			3,317				
League expenses			64,702					
Postage & freight	937,447	138,897	5,961	17,883	30,507	77,515	63,321	62,944
Trustee fees			1,000					
Grants		1,500,000			2,083,711	20,000		
Ice rental		40,530		163,133	134,791	92,719	109,048	1,430
Insurance	5,508,221	75,985	232,412					
Investment & bank fees			29,151					
Meetings	1,136	306		13,759			948	108
Other	620,328	93,525	49,117	3,005	9,940	101,429	67,486	4,780
Printing & publications	205,327	1,393	47,926	7,237	9,861	50,091	118,685	121,429
Protocol gifts	6,592	1,310		2,615				
Trophies & awards	3,784	16,089		5,203	2,667	9,063	53,636	5,183
Office expense			43,116					
Seminars & training	2,500			126,444				
Professional fees			59,579					
Property tax			210,346					
Honoraria		328,164		210,181	225,157	369,541	186,350	1,000
Contract services	266,162	79,665		503,480	22,069	38,676	260,663	15,090
Supplies	7,665	69,135	17,785	247,128	23,410	21,695	57,239	14,418
Special events			180,286					
Telephone	38,331	15,586		12,262	277	21,990	2,167	10,278
Uniforms		74,016		53,754	76,470	65,177	25,815	88,139
Corporate sponsor - VIK	4,727	240,498		112,167	122,473	965	14,390	11,897
Utilities			441,713	38				
Game costs			171,154					
Game guarantees				4,000				
Travel	104,692	1,094,011	18,711	427,178	340,866	558,510	220,927	178,184
Meals & entertainment			8,169					
Lodging & meals	95,143	1,121,389		369,447	797,655	541,189	551,132	250,910
	<u>\$ 9,396,520</u>	<u>\$ 6,581,956</u>	<u>\$ 4,179,062</u>	<u>\$ 3,715,771</u>	<u>\$ 3,892,446</u>	<u>\$ 2,547,107</u>	<u>\$ 2,308,548</u>	<u>\$ 2,032,306</u>

	Adult Hockey	Annual Congress/ Mid-Winter Meetings	Membership Development	Youth Program	Junior Program	Internet Project	Patty Kazmaier Memorial Award	Alumni Program	B. Burke Internship Program	Total
Salaries	\$ 320,106	\$	\$ 370,413	\$ 439,202	\$	\$ 125,194	\$	\$	\$	\$ 7,037,480
Payroll taxes	21,932		21,064	31,561		8,339				512,129
Health insurance	44,779		34,978	63,074		31,222				881,454
Pension plan	22,196		28,502	30,438		8,244				492,537
Audio/visual		133,817								133,817
Advertising & promotion	153,894		43,145		8,340					611,346
Bad debt										850
Contributions										8,912
Children's skate classes										64,253
Vehicle lease										6,116
Building maintenance										349,021
Depreciation & amortization										163,222
Dues & subscriptions			403	472						358,381
Equipment	22,592		923	4,417		2,082	5,758			730,732
Interest										281,790
Computer maintenance & support						11,101				111,257
League expenses										64,702
Postage & freight	30,489	4,002	38,449	15,447	5,896	29	709			1,429,496
Trustee fees										1,000
Grants					329,991					3,933,702
Ice rental	313,745				645		1,000			857,041
Insurance										5,816,618
Investment & bank fees							105		29	29,285
Meetings			522							16,779
Other	69,141	3,435	517	525	6,117	62				1,029,407
Printing & publications	4,008	9,606	16,233	29,651			1,235	5,400		628,082
Protocol gifts	75		1,768							12,360
Trophies & awards	124,589	21,469	109	54,966	3,201		4,834			304,793
Office expense										43,116
Seminars & training	4,150		825			200				134,119
Professional fees							900		500	60,979
Property tax										210,346
Honoraria					6,300					1,326,693
Contract services	193,514	20,390	77,658	219	50,000	188,067				1,715,653
Supplies	11,933	3,141	747	657	1,384	450	619			477,406
Special events										180,286
Telephone	3,565	112	4,598	4,576	537	274				114,553
Uniforms	295		272,377		4,855					660,898
Corporate sponsor - VIK	11,290	39,795	2,731	3,507	20,379	777				585,596
Utilities	388									442,139
Game costs										171,154
Game guarantees										4,000
Travel	84,838	279,358	28,119	51,462	33,229	6,757	18,280			3,445,122
Meals & entertainment										8,169
Lodging & meals	132,135	517,094	30,908	50,800	52,607	5,345				4,515,754
	<u>\$ 1,569,654</u>	<u>\$ 1,032,219</u>	<u>\$ 974,989</u>	<u>\$ 780,974</u>	<u>\$ 523,481</u>	<u>\$ 388,143</u>	<u>\$ 33,440</u>	<u>\$ 5,400</u>	<u>\$ 529</u>	<u>\$ 39,962,545</u>

USA HOCKEY, INC.
USA HOCKEY FOUNDATION
HOCKEY AND RINK PROTECTION, INC.
Schedule of Supporting Services
For the Year Ended August 31, 2016

	General & Administrative	Marketing & Fundraising	Total
Salaries	\$ 2,429,251	\$ 966,616	\$ 3,395,867
Other	60,895	54,741	115,636
Building rent	41,135		41,135
Depreciation	566,577		566,577
Legal	381,808	27,097	408,905
Health insurance	506,877	136,698	643,575
Contract services	183,777	57,321	241,098
Travel	209,107	78,343	287,450
Pension plan	146,095	79,065	225,160
Lodging & meals	222,058	84,779	306,837
Insurance	210,260	2,430	212,690
Support for STAR	125,000		125,000
Payroll taxes	173,062	69,727	242,789
Printing & publications	12,941	26,016	38,957
Computer maintenance & support	60,451		60,451
Contributions	33,321		33,321
Repair & maintenance	36,565		36,565
Bank & investment fees	114,849	4,582	119,431
Grants	50,000		50,000
Telephone	70,496	2,282	72,778
Utilities	62,560		62,560
Supplies	77,135	13,259	90,394
Postage & freight	27,680	11,522	39,202
Office expense	7,278		7,278
Trophies & awards	18,508	16,297	34,805
Accounting	72,625		72,625
Honoraria	1,120	570	1,690
Licenses & fees	13,868		13,868
Equipment minor purchases	190,301	149,245	339,546
Corporate sponsor - VIK	23,233	35,513	58,746
Advertising	22,568	98,302	120,870
Dues & subscriptions	22,241	100	22,341
Meetings	10,229		10,229
Bad debts	350	500	850
Vehicle lease	8,727		8,727
Building maintenance	66,439		66,439
Ice rental	3,680	201,229	204,909
Seminars & training	7,978	1,860	9,838
Professional fees	41,039	54,635	95,674
Property tax	728		728
Protocol gifts	6,414		6,414
Uniforms	5,222	270	5,492
Gas & vehicle maintenance	2,275		2,275
	<u>\$ 6,326,723</u>	<u>\$ 2,172,999</u>	<u>\$ 8,499,722</u>