

Minor Hockey Association of Calgary
o/a Hockey Calgary
Financial Statements
April 30, 2020



Independent Auditors' Report

To: The Members of the **Minor Hockey Association of Calgary**

Opinion

We have audited the financial statements of the **Minor Hockey Association of Calgary** (the "Association"), which comprise the statement of financial position as at **April 30, 2020** and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at April 30, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

Independent Auditors' Report (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kennedy Mack Shusarchuk Stewart LLP

May 27, 2020
Calgary, Alberta

Chartered Professional Accountants

Minor Hockey Association of Calgary
o/a Hockey Calgary
Statement of Financial Position

As at April 30, 2020 2019

Assets

Current assets

Cash	\$ 432,301	\$ 841,239
Accounts receivable	135,347	89,752
Short term investments (note 5)	1,400,000	1,400,000
Prepaid expenses	9,300	9,940
	<u>1,976,948</u>	<u>2,340,931</u>

Externally restricted cash (note 6) 12,498 20,927

Externally restricted investments (note 7) 989,424 832,414

Internally restricted investments (note 8) 500,000 -

Capital assets (note 9) 195,121 136,097

Intangible asset (note 10) 2,800,000 2,800,000

\$ 6,473,991 \$ 6,130,369

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued liabilities	\$ 10,214	\$ 37,333
Deferred revenue	1,600	27,297
	<u>11,814</u>	<u>64,630</u>

Restricted contributions - U18 Women's Legacy (note 6) - 2,421

Restricted contributions - Access to the Game (note 6) 12,498 18,506

Restricted contributions - Future projects (note 11) 989,424 832,414

1,013,736 917,971

Contractual obligations (note 12)

Net assets

Unrestricted	1,965,134	2,276,301
Internally restricted	500,000	-
Invested in capital assets	195,121	136,097
Invested in intangible asset	2,800,000	2,800,000

5,460,255 5,212,398

\$ 6,473,991 \$ 6,130,369

Approved by the Board

 Director

 Director

See accompanying notes to the financial statements

Minor Hockey Association of Calgary
o/a Hockey Calgary
Statement of Operations

Year ended April 30,	2020	2019
Revenues		
Administration	\$ 48,920	\$ 34,591
Development	52,442	27,375
Events	276,948	272,561
Funding	398,613	276,992
Marketing	16,301	78,533
Member services	1,936,934	1,961,004
Operations	4,151,246	3,934,819
	<u>6,881,404</u>	<u>6,585,875</u>
Expenses		
Administration	820,720	724,640
Development	84,404	62,717
Events	438,267	483,210
Funding	256,623	216,432
Marketing	49,781	96,466
Member services	891,369	897,967
Operations	4,092,383	3,880,579
	<u>6,633,547</u>	<u>6,362,011</u>
Excess of revenue over expenses	<u>\$ 247,857</u>	<u>\$ 223,864</u>

See accompanying notes to the financial statements

Minor Hockey Association of Calgary
o/a Hockey Calgary
Statement of Changes in Net Assets

Year ended

	April 30, 2020				
	Unrestricted	Internally restricted Access to the Game	Invested in capital assets	Invested in intangible assets	Total
Balance, beginning of year	\$ 2,276,301	\$ -	\$ 136,097	\$ 2,800,000	\$ 5,212,398
Excess (deficiency) of revenues over expenses	319,855	-	(71,998)	-	247,857
Invested in capital assets	(131,022)	-	131,022	-	-
Internally restricted transfer	(500,000)	500,000	-	-	-
Balance, end of year	\$ 1,965,134	\$ 500,000	\$ 195,121	\$ 2,800,000	\$ 5,460,255

	April 30, 2019				
	Unrestricted	Internally restricted Access to the Game	Invested in capital assets	Invested in intangible assets	Total
Balance, beginning of year	\$ 2,056,913	\$ -	\$ 131,621	\$ 2,800,000	\$ 4,988,534
Excess (deficiency) of revenues over expenses	269,925	-	(46,061)	-	223,864
Invested in capital assets	(50,537)	-	50,537	-	-
Balance, end of year	\$ 2,276,301	\$ -	\$ 136,097	\$ 2,800,000	\$ 5,212,398

See accompanying notes to the financial statements

Minor Hockey Association of Calgary
o/a Hockey Calgary
Statement of Cash Flows

Year ended April 30,	2020	2019
Operating activities		
Excess of revenue over expenses	\$ 247,857	\$ 223,864
Item not affecting cash		
Amortization	<u>71,998</u>	<u>46,061</u>
	319,855	269,925
Changes in non-cash working capital items		
Accounts receivable	(45,595)	7,623
Prepaid expenses	640	(9,940)
Accounts payable and accrued liabilities	(27,119)	1,971
Deferred revenue	<u>(25,697)</u>	<u>(33,263)</u>
	<u>222,084</u>	<u>236,316</u>
Investing activities		
Purchase of capital assets	(131,022)	(50,537)
Purchase of investments	<u>(500,000)</u>	<u>-</u>
	<u>(631,022)</u>	<u>(50,537)</u>
(Decrease) increase in cash	(408,938)	185,779
Cash, beginning of year	<u>841,239</u>	<u>655,460</u>
Cash, end of year	<u>\$ 432,301</u>	<u>\$ 841,239</u>

See accompanying notes to the financial statements

Minor Hockey Association of Calgary

o/a Hockey Calgary

Notes to Financial Statements

April 30, 2020

1. Nature of operations

The Minor Hockey Association of Calgary (the “Association”) was incorporated under the laws of the Province of Alberta on June 26, 1970 as a not-for-profit organization. The purpose of the Association is to coordinate minor hockey in the Calgary region. The Association operates under the name Hockey Calgary.

The Association is a not-for-profit organization under the Income Tax Act and as such is exempt from income taxes.

2. Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, specifically Canadian accounting standards for not-for-profit organizations (“ASNFP”).

3. Adoption of new standards

Effective May 1, 2019 the Association adopted the CPA Canada Handbook Section 4433 Tangible Capital Assets Held by Not-for-Profit Organizations which replaced the previous guidance in Section 4431 concerning the recognition, measurement, presentation and disclosure of capital assets. The Association also adopted CPA Canada Handbook Section 4434 Intangible Capital Assets Held by Not-for-Profit Organizations which replaced the previous guidance in Section 4432 concerning the recognition, measurement, presentation and disclosure of intangible capital assets.

The new sections were adopted on a prospective basis in accordance with the transitional provisions. There was no numeric impact to the Association’s financial statements arising from the adoptions of the accounting pronouncements.

4. Significant accounting policies

(a) Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value, except for certain non-arm’s length transactions.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash, short term investments, restricted cash and restricted investments, which are measured at fair value. Changes in fair value of restricted assets are accounted for as restricted contributions.

Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Minor Hockey Association of Calgary

o/a Hockey Calgary

Notes to Financial Statements

April 30, 2020

4. Significant accounting policies, continued

(a) Measurement of financial instruments, continued

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

(b) Capital assets

Capital assets are recorded at cost. The Association provides for amortization using the straight-line method, designed to amortize the cost of the assets over their estimated useful lives. A full year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Leasehold improvements	5 years
Computer equipment	5 years
Website development/software	5 years
Office and other equipment	5-10 years

The Association records a write-down when its capital assets no longer contribute to the Association's ability to provide goods and services, or when the value of future economic benefits or service potential associated with them is less than net carrying amount. The excess net carrying amount over fair value or replacement cost is recognized as an expense in the statement of operations. Previous write-downs are not reversed.

(c) Intangible asset

The intangible asset with an indefinite life is not subject to amortization and is recorded at cost, less any provision for permanent impairment when the asset no longer contributes to the Association's ability to provide goods and services, or the value of future economic benefits or service potential associated with it is less than net carrying amount. The excess net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations. Previous write-downs are not reversed.

Internally generated intangible assets are expensed for accounting purposes.

Minor Hockey Association of Calgary

o/a Hockey Calgary

Notes to Financial Statements

April 30, 2020

4. Significant accounting policies, continued

(d) Revenue recognition

The Association uses the deferral method of accounting for contributions.

Restricted contributions for expenses of one or more future periods are deferred and recognized as revenue in the same period or periods as the related expenses are recognized.

Restricted investment income is treated in the same manner as the related restricted contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Member services and other operating revenues are recognized when services are provided.

(e) Contributed services and materials

The Association records the value of contributed services and materials when the fair value can be reasonably estimated, when the services and materials are used in the normal course of the Association's operations, and would otherwise have been purchased. Due to the difficulty of determining their fair value, volunteer services and other donated materials are not recognized in the financial statements.

5. Short term investments

Included in short term investments are \$1,400,000 (2019 - \$1,400,000) of GICs. These earn interest at 2.00% (2019 – 1.75%) and mature in December 2020 (2019 – December 2019).

6. Externally restricted cash

Restricted cash consists of net revenues associated with the Access to the Game Program. Net revenues are to be utilized to increase participation in minor league hockey. The prior year balance also included net revenues associated with hosting the U18 Women's National Championship which were spent in the current year.

7. Externally restricted investments

Restricted investments consist of money market investments that are to be utilized for future new ice surfaces and represent unspent restricted contributions and related investment income.

Minor Hockey Association of Calgary

o/a Hockey Calgary

Notes to Financial Statements

April 30, 2020

8. Internally restricted investments

Included in restricted investments are \$500,000 of internally restricted GICs that are to be utilized for the Access to the Game program. These earn interest at 1.45% - 1.98% and mature in May 2020.

9. Capital assets

		April 30, 2020		
	Cost	Accumulated Amortization	Net Book Value	
Computer equipment	\$ 25,281	\$ 19,037	\$	6,244
Office and other equipment	119,038	47,082		71,956
Leasehold improvements	33,534	32,084		1,450
Website development/software	251,241	135,770		115,471
	<u>\$ 429,094</u>	<u>\$ 233,973</u>	<u>\$</u>	<u>195,121</u>
		April 30, 2019		
	Cost	Accumulated Amortization	Net Book Value	
Computer equipment	\$ 37,854	\$ 28,123	\$	9,731
Office and other equipment	40,093	28,990		11,103
Leasehold improvements	33,534	30,633		2,901
Website development/software	249,965	137,603		112,362
	<u>\$ 361,446</u>	<u>\$ 225,349</u>	<u>\$</u>	<u>136,097</u>

10. Intangible asset

The Association purchased a Right of First Refusal (the "ROFR") for ice times on one ice surface at an arena owned and operated by the City of Calgary. The ROFR provides the Association with priority above all other users in choosing ice times.

Minor Hockey Association of Calgary o/a Hockey Calgary

Notes to Financial Statements

April 30, 2020

11. Restricted contributions – Future projects

Restricted contributions represent the unamortized portion of restricted contributions that are to be used towards future new ice surfaces. Changes for the year in the restricted contributions balance are as follows:

	2020	2019
Balance, beginning of the year	\$ 832,414	\$ 676,511
Contributions	143,820	145,620
Restricted interest income received	13,190	10,283
Balance, end of the year	<u>\$ 989,424</u>	<u>\$ 832,414</u>

12. Contractual obligations

The Association's total obligations under various operating leases are as follows:

2021	14,639
2022	10,000
2023	10,000
2024	10,000
2025	10,000
Remaining	<u>3,125</u>
	<u>\$ 57,764</u>

Minor Hockey Association of Calgary

o/a Hockey Calgary

Notes to Financial Statements

April 30, 2020

13. Financial instruments

The Association's use of financial instruments and its exposure to risks associated with such instruments arises out of its normal course of operations and investing activities. Operations are located in Calgary, Alberta.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Association is exposed to credit risk with respect to its accounts receivable from local member associations and events. At year end, the Association had one (2019 – one) significant account receivable approximating 33% (2019 – 23%) of total accounts receivable. Credit risk is managed by the Association through monitoring procedures.

Financial assets

The carrying amounts of financial assets recognized in the financial statements consist of:

	2020	2019
Measured at amortized cost	\$ 135,347	\$ 89,752
Measured at fair value	3,334,223	3,094,579
	<u>\$ 3,469,570</u>	<u>\$ 3,184,331</u>

14. COVID-19

During the year, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", was declared a global pandemic by the World Health Organization and governments worldwide have enacted emergency measures to combat the spread of the virus. These measures, which include public health measures requesting the public to stay home as much as possible, the implementation of travel bans, self imposed quarantine periods and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets and oil prices have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Association.

