

**Minor Hockey Association of Calgary
o/a Hockey Calgary
Financial Statements
April 30, 2016**

Independent Auditors' Report

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

We have audited the accompanying financial statements of the **Minor Hockey Association of Calgary**, which comprise the statement of financial position as at **April 30, 2016**, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Minor Hockey Association of Calgary derives revenue from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the association and we were not able to determine whether any adjustments might be necessary to assets, revenues, excess of revenues over expenses and net assets.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion, the financial statements present fairly, in all material respects, the financial position of the Minor Hockey Association of Calgary as at April 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

To be updated by Admin

Calgary, Alberta

Chartered Accountants
Chartered Professional Accountants

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

As at April 30,	2016	2015
Assets		
Current assets		
Cash	\$ 209,321	\$ 536,345
Accounts receivable (note 4)	69,004	151,640
Prepaid expenses	-	5,609
Short term investments (note 5)	1,400,000	700,000
	<u>1,678,325</u>	<u>1,393,594</u>
Restricted cash (note 6)	26,433	41,467
Restricted investments (note 7)	242,041	256,996
Capital assets (note 8)	23,157	23,954
Intangible asset (note 9)	2,800,000	2,800,000
	<u>\$ 4,769,956</u>	<u>\$ 4,516,011</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 19,800	\$ 24,597
Deferred revenue	-	3,143
Current portion of funding agreement payable (note 11)	160,000	160,000
	<u>179,800</u>	<u>187,740</u>
Restricted contributions - women's hockey (note 6)	26,433	41,467
Restricted contributions - funding agreement (note 10)	242,041	256,996
Funding agreement payable (note 11)	-	160,000
	<u>448,274</u>	<u>646,203</u>
Net assets		
Unrestricted	1,658,525	1,365,854
Invested in capital assets	23,157	23,954
Invested in intangible assets	2,640,000	2,480,000
	<u>4,321,682</u>	<u>3,869,808</u>
	<u>\$ 4,769,956</u>	<u>\$ 4,516,011</u>

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

Years ended April 30,	2016	2015
Revenues		
Administration	\$ 26,276	\$ 19,902
Development	15,033	-
Events	233,130	209,282
Funding	64,937	123,033
Marketing	86,162	75,764
Member services	1,794,368	1,709,771
Operations	3,456,339	3,283,677
	<u>5,676,245</u>	<u>5,421,429</u>
Expenses		
Administration	607,771	597,672
Development	48,556	39,847
Events	411,529	379,743
Funding	67,490	33,375
Marketing	34,802	55,163
Member services	746,237	712,534
Operations	3,467,986	3,242,184
	<u>5,384,371</u>	<u>5,060,518</u>
Excess of revenue over expenses	<u>\$ 291,874</u>	<u>\$ 360,911</u>

See accompanying notes to the financial statements

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

Years ended

	April 30,			
	2016			
	Unrestricted	Invested in capital assets	Invested in intangible assets	Total
Balance, beginning of year	\$ 1,365,854	\$ 23,954	\$ 2,480,000	\$ 3,869,808
Excess (deficiency) of revenues over expenses	301,326	(9,452)	-	291,874
Invested in (disposal of) capital assets	(8,655)	8,655	-	-
Restricted contributions recognized	-	-	160,000	160,000
Balance, end of year	\$ 1,658,525	\$ 23,157	\$ 2,640,000	\$ 4,321,682

	April 30,			
	2015			
	Unrestricted	Invested in capital assets	Invested in intangible assets	Total
Balance, beginning of year	\$ 991,780	\$ 37,117	\$ 2,320,000	\$ 3,348,897
Excess (deficiency) of revenues over expenses	372,092	(11,181)	-	360,911
Invested in capital assets	1,982	(1,982)	-	-
Restricted contributions recognized	-	-	160,000	160,000
Balance, end of year	\$ 1,365,854	\$ 23,954	\$ 2,480,000	\$ 3,869,808

See accompanying notes to the financial statements

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

Years ended April 30,	2016	2015
Operating activities		
Excess of revenue over expenses	\$ 291,874	\$ 360,911
Items not affecting cash		
Amortization	9,452	11,296
Accounting gain on disposal of capital assets	-	(115)
	<u>301,326</u>	<u>372,092</u>
Changes in non-cash working capital items		
Accounts receivable	82,636	(60,064)
Prepaid expenses	5,609	(5,609)
Accounts payable and accrued liabilities	(4,797)	(26,773)
Deferred revenue	(3,143)	(7,905)
	<u>381,631</u>	<u>271,741</u>
Investing activities		
Purchase of capital assets	(8,655)	(1,018)
Proceeds on disposal of capital assets	-	3,000
Investments redeemed for payment of funding agreement	160,000	160,000
Purchase of short term investment	(700,000)	(700,000)
	<u>(548,655)</u>	<u>(538,018)</u>
Financing activity		
Payment of funding agreement	<u>(160,000)</u>	<u>(160,000)</u>
Decrease in cash and cash equivalents	(327,024)	(426,277)
Cash and cash equivalents, beginning of year	<u>536,345</u>	<u>962,622</u>
Cash and cash equivalents, end of year	<u>\$ 209,321</u>	<u>\$ 536,345</u>

See accompanying notes to the financial statements

Minor Hockey Association of Calgary

o/a Hockey Calgary

Notes to Financial Statements

April 30, 2016

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 co-ordinate 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 (“ASNFPPO”).

3. 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 and funding agreement payable.

Impairment

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.

Minor Hockey Association of Calgary

o/a Hockey Calgary

Notes to Financial Statements

April 30, 2016

3. Significant accounting policies, continued

(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 software	5 years
Computer equipment	5 years
Office equipment	10 years

The Association records a write-down when its capital assets no longer have any long-term service potential to the Association and the net carrying amount exceeds the residual value. The excess net carrying amount over residual value is recognized as an expense in the statement of operations. Previous write-downs are not reversed.

(c) Intangible asset

Intangible assets with indefinite lives are not subject to amortization and are recorded at cost, less any provision for permanent impairment when the asset no longer has any service potential.

Internally generated intangible assets are expensed for accounting purposes.

(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 contributions for the repayment of debt that was incurred to fund the purchase of an intangible asset, that will not be amortized, are recognized as direct increases in net assets.

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.

Minor Hockey Association of Calgary

o/a Hockey Calgary

Notes to Financial Statements

April 30, 2016

3. Significant accounting policies, continued

(f) Contributed services

The Association records the value of contributed services when the fair value can be reasonably estimated when the services 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 are not recognized in the financial statements.

4. Accounts receivable

Included in accounts receivable are \$4,163 (2015 - \$8,157) of government remittances receivable.

5. Short term investments

Included in short term investments are \$1,400,000 (2015 - \$700,000) of GIC's. These earn interest at 1.00% (2015 - 1.23%) and mature in December 2016 (2015 - May 2015).

6. Restricted cash

Restricted cash consists of net revenues associated with hosting the U18 Women's National Championship. Net revenues are to be utilized to increase participation in women's hockey.

7. Restricted investments

Restricted investments consist of money market investments that are to be utilized for the repayment of the Funding Agreement Payable disclosed in Note 11 and represent unspent restricted contributions and related investment income.

8. Capital assets

	April 30, 2016		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 45,176	\$ 36,443	\$ 8,733
Office equipment	34,736	20,922	13,814
Leasehold improvements	26,282	25,672	610
Website development	52,081	52,081	-
Computer software	6,745	6,745	-
	<u>\$ 165,020</u>	<u>\$ 141,863</u>	<u>\$ 23,157</u>

Minor Hockey Association of Calgary
o/a Hockey Calgary

Notes to Financial Statements

April 30, 2016

8. Capital assets, continued

	April 30, 2015		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 45,176	\$ 30,374	\$ 14,802
Office equipment	27,277	18,939	8,338
Leasehold improvements	26,282	25,468	814
Website development	52,081	52,081	-
Computer software	6,745	6,745	-
	<u>\$ 157,561</u>	<u>\$ 133,607</u>	<u>\$ 23,954</u>

9. 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.

10. Restricted contributions – funding agreement

Restricted contributions represent the unamortized portion of restricted contributions that are to be used towards the repayment of the funding agreement payable regarding the ice surface that was built at a local Calgary arena. Changes for the year in the restricted contributions balance are as follows:

	2016	2015
Balance, beginning of the year	\$ 256,996	\$ 278,447
Contributions	143,590	135,920
Restricted interest income received	1,455	2,629
Repayment of funding agreement payable	<u>(160,000)</u>	<u>(160,000)</u>
Balance, end of the year	<u>\$ 242,041</u>	<u>\$ 256,996</u>

Minor Hockey Association of Calgary

o/a Hockey Calgary

Notes to Financial Statements

April 30, 2016

11. Funding agreement payable

During 2005, the Association entered into a Funding Agreement with the City of Calgary in connection with the purchase of a ROFR for ice times, disclosed in Note 9. The Funding Agreement required initial cash consideration of \$1,200,000 and repayment of a \$1,600,000 loan. The Association commenced repayment of the loan with annual payments of \$160,000 to the City on November 30, 2007 with final payment due November 30, 2016. The loan is non-interest bearing, except if scheduled payments are not received, then interest will accrue at prime plus 1% compounded quarterly. To date \$2,640,000 (2015 - \$2,480,000) has been funded by the Association.

12. Contractual obligations

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

2017	\$ 20,837
2018	18,066
2019	12,525
2020	12,525
	<u>\$ 63,953</u>

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 counter party 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 two (2015 – one) significant account receivable approximating 69% (2015 – 19%) 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:

	2016	2015
Measured at amortized cost	\$ 69,004	\$ 151,640
Measured at fair value	1,877,795	1,534,809
	<u>\$ 1,946,799</u>	<u>\$ 1,686,449</u>

Minor Hockey Association of Calgary

o/a Hockey Calgary

Notes to Financial Statements

April 30, 2016

14. Comparative Figures

The financial statements for the prior year have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

DRAFT
MAY 30, 2016