

REPORT TO THE BOARD OF DIRECTORS

Axemen Lacrosse Club

September 30, 2017

**Axemen Lacrosse Club
TABLE OF CONTENTS**

	Page
RESPONSIBILITY OF MANAGEMENT	1
RESPONSIBILITY OF DEBORAH V. WALKER PROFESSIONAL CORP.	1
RESPONSIBILITY OF BOARD OF DIRECTORS	1
INDEPENDENCE	1
AUDIT SCOPE AND APPROACH	1
AUDIT APPROACH	2
MATERIALITY	2
COMMUNICATION WITH BOARD OF DIRECTORS	3
SIGNIFICANT AUDIT AND REPORTING MATTERS	3
APPENDIX - INDEPENDENCE LETTER	

RESPONSIBILITY OF MANAGEMENT

The preparation of the financial statements, including the accompanying notes, is the responsibility of management. Management's responsibilities include internal control, such as designing and maintaining accounting records, selecting and applying accounting policies using sound and conservative judgment in preparing accounting estimates, safeguarding assets and preventing and detecting error and fraud.

Management acknowledges their responsibility in their letter of representation to me and this responsibility is referred to in my audit opinion.

RESPONSIBILITY OF DEBORAH V. WALKER PROFESSIONAL CORPORATION

My primary responsibility as auditor is to report to the members whether the annual financial statements present fairly, in all material respects, the financial position and results of operations, changes in net assets and cash flows of the Axemen Lacrosse Club in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). My examination is performed in accordance with Canadian auditing standard ("CAS"). My responsibility is set out in my audit opinion.

As auditor, I may also perform services related to other financial information, as well as a range of other services. As auditor, I assist the Board of Directors in understanding the audit and financial reporting process.

RESPONSIBILITY OF BOARD OF DIRECTORS

The Board of Directors is responsible for overseeing the financial reporting process. This would include reviewing and approving annual financial statements and meeting with management and the external auditor to discuss these financial statements.

INDEPENDENCE

Canadian auditing standards requires that I communicate at least annually with you regarding all relationships between the Axemen Lacrosse Club and my firm that, in my professional judgment, may reasonably be thought to bear on my independence.

I confirm that I am objective within the Rules of Professional Conduct of the Institute of Certified Professional Accountants of Alberta ("CPAA") and have attached my independence letter in the Appendix confirming this fact.

Safeguards in place regarding my independence as auditor include:

- my annual communication to the Board of Directors, confirming my independence
- pre-approval of all non-audit services by both engagement partner and the Board of Directors
- compliance with all Independence standards implemented by the CPAA.

Total fees charged to the Axemen Lacrosse Club for services during the period for October 1, 2016 to September 30, 2017 were as follows:

Audit services for 2017 year end

\$ 3,200

AUDIT SCOPE AND APPROACH

As noted previously, my examination of the financial statements is made in accordance with Canadian auditing standards, and includes such tests of the accounting records and such other auditing procedures as I consider necessary in the circumstances. The examination is carried out in conformity with an overall audit plan designed to enable me to render an opinion as to whether or not the financial statements present fairly, in all material respects, the financial position and results of operations, changes in net assets and cash flows of the Axemen Lacrosse Club as at and for the year ending September 30, 2017, in accordance with ASNPO. The audit is performed to obtain reasonable, rather than absolute, assurance as to whether the financial statements are free of material misstatement. Owing to the inherent limitations of an audit, there is unavoidable risk that some misstatements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

AUDIT APPROACH

My audit was conducted in accordance with Canadian auditing standards (CAS) to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

An audit includes examining on a test basis, evidence supporting amounts and disclosures in the financial statements, assessing the accounting principles used and their application and assessing significant estimates made by management.

My audit approach emphasizes the utilization of my cumulative audit knowledge of the Axemen Lacrosse Club to enable me to comprehensively assess audit risks and design audit procedures tailored to the Club's business and circumstances.

My understanding and testing of the Axemen Lacrosse Club systems of internal accounting control was planned and conducted to enable me to properly plan the audit and to express an opinion on the financial statements. It was not designed for, and is insufficient to express, an opinion as to the effectiveness or efficiency of the Club's controls.

During my audit examination, I seek reasonable assurance that error or fraud, which may be material to the financial statements, has not occurred. Because my examination is subject to the limitations of testing, the nature of audit evidence, and the limitations of controls, it may not detect error or fraud even if material in amount. It should be recognized that the prevention and detection of error and fraud are primarily the responsibility of management and the board of the directors.

MATERIALITY

Audit materiality was set at \$5,000. Materiality is the estimated quantitative guideline above which errors would be considered significant by readers of the financial statements, and is computed based on total revenue, total assets, cash flows and expenditures. Actual and projected misstatements in the year end accounts are compared to the materiality level on an individual and aggregate basis. All misstatements are also assessed as to their qualitative impact on the financial statements.

COMMUNICATION WITH BOARD OF DIRECTORS

Under guidelines issued by the Certified General Accountants there are specific matters that should be brought to the Board of Directors' attention. The following outlines those matters to be communicated and my related comments.

Matters to be Communicated	Comments
1 Significant accounting principles and policies	The significant accounting principles and policies are disclosed in note 2 to the financial statements. The policies followed are generally accepted in Canada and are similar to other not-for-profit organizations.
2 Significant weaknesses in internal control	Evidence that effective internal controls exist and are in operation help support my audit opinion. However, I was not engaged to perform a detailed review and evaluation of all internal controls. Those significant internal control weaknesses that I encountered during the course of my audit have been identified in the Significant Audit and Reporting Matters' section of this report.
3 Significant audit adjustments	In conducting my procedures, I may identify accounting differences that require adjustments to the recorded amounts. These differences are discussed with the president, who, in conjunction with myself, determine if an adjustment should be recorded. For the year ending September 30, 2017, significant audit adjustments were required to record amortization, correct accounts receivable and accrue audit fees.
5 Disagreements with management	There were no disagreements between management and myself with respect to accounting policies or presentation and disclosure in the financial statements.
6 Consultation with other accountants	To my knowledge, no accounting or auditing matters were discussed by management with other accountants.
7 Cooperation of management	Cooperation of management, the board of directors and other personnel received during my examination was excellent.
8 Illegal acts and fraud	Testing of financial records did not reveal any illegal, improper or questionable payments or acts nor any acts, committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of financial information.

SIGNIFICANT AUDIT AND REPORTING MATTERS

Significant audit and reporting matters that were discussed with management are summarized below.

Significant Weaknesses in Internal Controls

I understand, from discussions with Jeremy, that the bank requires dual signatures mitigating this threat of misappropriation of cash once it has been deposited but does not

mitigate this threat when collected. Segregating the duties of the person who records transactions in the accounting records from access to assets is generally an important accounting control in any organization. Additionally, it is also understood that in an organization of the Axemen Lacrosse Club's size, full segregation is simply not possible when considering a cost-benefit analysis. The Board of Director's involvement and oversight into the Axemen Lacrosse Club's operations also diminishes the risk of misappropriation of assets.

I would recommend that the board of directors prepare an accounting policy and procedure manual which documents the existing systems in place. A review of the current internal controls should be performed for the controls effectiveness and perhaps improvements made in required areas.


This letter is confidential and is intended solely for the information and the use of the members of the Board of Directors to assist it in discharging its responsibilities with respect to the financial statements and is not intended for any other purpose.

Any use that a third party makes of this letter, or any reliance or decisions made based on it, are the responsibility of such third parties. I accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this letter.

Any communications by me of matters identified during the financial statements audit are a by-product of this audit. My audit would not necessarily identify all matters that may be of interest to the Board of Directors in fulfilling its responsibilities and cannot be relied upon to identify all risks associated with the Axemen Lacrosse Club or internal control weaknesses.

I look forward to meeting with the Board of Directors to discuss the content of the report.

Yours truly,

A handwritten signature in blue ink, appearing to read "Deborah V. Walker", with a long horizontal flourish extending to the right.

Deborah V. Walker, Chartered Professional Accountant, CGA

AXEMEN LACROSSE CLUB

FINANCIAL STATEMENTS

September 30, 2017

INDEX

	Page
Independent Auditor's Report	2 - 3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Financial Position	6
Cash Flow Statement	7
Notes to Financial Statements	8 - 9

***Deborah V. Walker Professional Corporation
127 Cranwell Close SE
Calgary, Alberta T3M 1B1
587-353-0525 or 403-399-7742***

INDEPENDENT AUDITOR'S REPORT

To the Members of Axemen Lacrosse Club

I have audited the accompanying financial statements of Axemen Lacrosse Club, which comprise the statement of financial position as at September 30, 2017, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's 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 auditor considers 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 control. 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Axemen Lacrosse Club derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Axemen Lacrosse Club.

Therefore, I was not able to determine whether, as at September 30, 2017 and for the year ended any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended September 30, 2017, current assets and net assets as at September 30, 2017.

***Deborah V. Walker Professional Corporation
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Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Axemen Lacrosse Club as at September 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
February 28, 2018

Deborah V. Walker Professional Corporation
Chartered Professional Accountant



AXEMEN LACROSSE CLUB
STATEMENT OF OPERATIONS
For the year ended September 30, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Registration	\$ 298,305	\$ 288,693
Tournament income	40,635	22,289
Sales and other income	16,752	37,649
Winter development camp	12,173	19,538
Fundraising	3,245	10,938
Sponsorships	1,554	6,500
Gain on sale of assets	480	-
Interest income	<u>45</u>	<u>602</u>
	<u>373,189</u>	<u>386,209</u>
EXPENSES		
Memberships and subscriptions	122,506	117,551
Arena fees	56,130	46,806
Junior expenses	50,675	35,906
Amortization of tangible assets	39,205	31,504
Tournament expense	27,554	24,523
Consulting fees	18,000	15,000
Cost of sales	12,331	43,676
Volunteer appreciation expense	11,794	3,697
Online registration expense	9,950	9,879
Coach development	9,388	11,584
Evaluation expense	9,241	8,488
Photography expense	8,455	9,688
Bad debts	5,250	-
Camp expenses	5,199	-
Office and administration	5,073	2,886
Banners and awards	3,694	4,593
Professional fees	3,376	6,997
Insurance	2,343	1,379
Team expense	920	549
Bank charges & interest	799	1,066
Travel	748	642
Referee expenses	439	4,270
Storage	343	343
Donations	300	125
Equipment expense	<u>38</u>	<u>4,330</u>
	<u>403,751</u>	<u>385,482</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	<u>\$ (30,562)</u>	<u>\$ 727</u>

AXEMEN LACROSSE CLUB
STATEMENT OF CHANGES IN NET ASSETS
For the year ended September 30, 2017

NET ASSETS	<u>Invested in capital assets</u>	<u>Unrestricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Balance, beginning of year	\$ 52,198	\$ 181,957	\$ 234,155	\$ 233,428
(Deficiency) excess of revenues over expenses	(38,725)	8,163	(30,562)	727
Investment in capital assets	<u>43,001</u>	<u>(43,001)</u>	<u>-</u>	<u>-</u>
	<u>56,474</u>	<u>147,119</u>	<u>203,593</u>	<u>234,155</u>
Balance, end of year	\$ <u>56,474</u>	\$ <u>147,119</u>	\$ <u>203,593</u>	\$ <u>234,155</u>

AXEMEN LACROSSE CLUB
STATEMENT OF FINANCIAL POSITION
September 30, 2017

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT		
Cash	\$ 182,552	\$ 160,293
Short-term investments (Note 3)	-	10,000
Accounts receivable	-	2,895
Inventory	10,976	12,837
Prepaid expenses	<u>1,176</u>	<u>7,093</u>
TOTAL CURRENT ASSETS	194,704	193,118
TANGIBLE CAPITAL ASSETS (Note 4)	<u>56,474</u>	<u>52,198</u>
TOTAL ASSETS	<u>\$ 251,178</u>	<u>\$ 245,316</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 24,686	\$ 11,161
Unearned revenue	<u>22,899</u>	<u>-</u>
TOTAL LIABILITIES	<u>47,585</u>	<u>11,161</u>

NET ASSETS

Net assets invested in capital assets	56,474	52,198
Unrestricted net assets	<u>147,119</u>	<u>181,957</u>
TOTAL NET ASSETS	<u>203,593</u>	<u>234,155</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 251,178</u>	<u>\$ 245,316</u>

Approved on behalf of the Board:

_____, Director

_____, Director

AXEMEN LACROSSE CLUB
CASH FLOW STATEMENT
For the year ended September 30, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Cash receipts from customers	398,458	383,062
Cash paid to suppliers and employees	(343,243)	(360,553)
Interest received	<u>45</u>	<u>1,159</u>
	<u>55,260</u>	<u>23,668</u>
 INVESTING ACTIVITIES		
Proceeds from disposal of tangible capital assets	480	-
Purchase of tangible capital assets:		
- Equipment	(43,481)	(10,319)
Redemption of short term investments	<u>10,000</u>	<u>31,662</u>
	<u>(33,001)</u>	<u>21,343</u>
 INCREASE IN CASH AND CASH EQUIVALENTS	22,259	45,011
CASH AND CASH EQUIVALENTS, beginning of year	<u>160,293</u>	<u>115,282</u>
 CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 182,552</u></u>	<u><u>\$ 160,293</u></u>

AXEMEN LACROSSE CLUB
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

1. PURPOSE OF THE NOT-FOR-PROFIT ORGANIZATION

The purpose of Axemen Lacrosse Club the ("Organization) is to serve its members by promoting and providing opportunities for the members to participate in the sport of lacrosse. The Axemen Lacrosse Club was registered under the Societies Act of Alberta on June 12, 1991, and thus is exempt from income tax under section 149(1) of the Income Tax Act.

2. ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

- a) Cash and cash equivalents include amounts on deposit with financial institutions, and term deposits that mature within three months from the date of acquisition.
- b) Investments are reported at the lower of cost and market. Short-term investments consist of guaranteed investment certificates which are readily convertible into cash and have original maturity dates greater than ninety days, but less than one year. Investments are carried at cost which approximate market value.
- c) Prepays include administrative costs paid in advance of the fiscal year, such as prepaid insurance, storage fees and licensing.
- d) The Axemen Lacrosse Club revenue is recognized when the goods and services have been delivered and collection is reasonably assured.
- e) Purchased tangible capital assets are recorded at cost. Amortization is recorded at the following rates, which have been established by estimates of useful lives.

Equipment	4 years%	straight line
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- f) Financial assets and liabilities are measured initially at fair value. Subsequent measurement is at amortized cost.

Financial assets measured at amortized cost consist of cash, term deposits, and accounts receivable. Capital assets are assessed for impairment on an annual basis at the end of the fiscal year. If there is a significant adverse change in the expected amount or timing of future cash flows from capital assets, the carrying value of the financial asset is reduced to the highest of the present value of expected cashflows, the amount that could be realized from selling the asset.

Financial liabilities measured at amortized cost consist of the accounts payable and accrued liabilities.

- g) When preparing financial statements according to Canadian generally accepted accounting principles, management make estimates and assumptions that affect the reported amounts of revenues and expenses during the year, the reported amounts of assets and liabilities at the date of the financial statements, and the disclosure of contingent assets and liabilities at the date of the financial statements. Management base their assumptions on a number of factors including historical experience, current events, actions that the Organization may undertake in the future, and other assumptions believed reasonable under the circumstances. Material measurement uncertainties include estimates of useful lives of capital assets and estimates of collectibility of accounts receivable. Actual results could differ from our estimates; the resolution of these uncertainties will be determined by future events.
- h) Inventory is measured at the lower of cost and net realizable value..

AXEMEN LACROSSE CLUB
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

- i) Volunteers contribute significant hours per year to assist the organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

3. INVESTMENTS

Short-term investments consisted of revolving redeemable Guaranteed Investment Certificates (GIC) of \$10,000 earning the floating rate of 0.45% interest per annum. This GIC was being held by bank as security on the credit card obtained by Axemen Lacrosse Club (credit card limit of \$10,000) which is no longer required.

4. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2017</u>	<u>2016</u>
Equipment	\$ <u>169,496</u>	\$ <u>113,022</u>	\$ <u>56,474</u>	\$ <u>52,198</u>
	\$ <u>169,496</u>	\$ <u>113,022</u>	\$ <u>56,474</u>	\$ <u>52,198</u>

5. DEFERRED REVENUE

	<u>2017</u>	<u>2016</u>
Unearned revenue	\$ <u>22,899</u>	\$ <u>-</u>
	\$ <u>22,899</u>	\$ <u>-</u>

Deferred revenue consists of amounts collected for a future winter camp in January 2018.

6. RELATED PARTIES

In the prior year the Organization contracted accounting services from a company owned by a member of the board. The cost of these services were \$3,000 in 2016 and was included in professional fees on the statement of operations. The Organization also contracted the services for executive director from a former board member.

7. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following describes the exposures to those risks, how they arise, any changes in risk exposures from the previous period, and any concentrations of risk.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly from its accounts payable.