

OKOTOKS MINOR HOCKEY ASSOCIATION
Financial Statements
Year Ended May 31, 2020

OKOTOKS MINOR HOCKEY ASSOCIATION

Index to Financial Statements

Year Ended May 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11



INDEPENDENT AUDITOR'S REPORT

To the Members of Okotoks Minor Hockey Association:

Opinion

I have audited the financial statements of Okotoks Minor Hockey Association (the "Association"), which comprise the statements of financial position as at May 31, 2020, and the statements of operations, 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 (collectively referred to as the "financial statements").

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at May 31, 2020, and the results of its operations, its changes in net assets and its cash flows for the year then ended in accordance Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Association in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

The corresponding figures as at and for the year ended May 31, 2019, are unaudited.

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

Management is responsible for the preparation and fair presentation of the 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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.
- 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 my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's 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.

I 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 I identify during my audit.

Okotoks, Alberta
November 26, 2020

Quantica Professional Corporation

Chartered Professional Accountant



OKOTOKS MINOR HOCKEY ASSOCIATION

Statement of Financial Position

May 31, 2020

	<i>May 31</i> 2020	<i>May 31</i> 2019 <i>(Unaudited)</i>	<i>June 1</i> 2018 <i>(Note 2)</i>
CURRENT			
Cash	\$ 131,830	\$ 198,150	\$ 330,244
Restricted cash <i>(Note 4)</i>	643	195	459
Accounts receivable	4,000	1,450	-
Prepaid expenses	36,944	-	9,109
	173,417	199,795	339,812
PROPERTY AND EQUIPMENT <i>(Note 5)</i>	33,469	41,453	34,450
	\$ 206,886	\$ 241,248	\$ 374,262
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities	\$ 12,727	\$ 4,617	\$ 69,767
Deferred raffle income	625	-	648
	13,352	4,617	70,415
DEFERRED RENT <i>(Note 6)</i>	7,434	3,717	-
	20,786	8,334	70,415
NET ASSETS			
Unrestricted fund	161,824	203,630	272,299
Internally restricted fund	24,276	29,284	31,548
	186,100	232,914	303,847
	\$ 206,886	\$ 241,248	\$ 374,262

APPROVED ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See notes to financial statements

OKOTOKS MINOR HOCKEY ASSOCIATION**Statement of Operations****For the Year Ended May 31, 2020**

	2020	2019 <i>(Unaudited)</i>
REVENUE		
Registration fees	\$ 1,240,564	\$ 1,209,450
Raffle	199,025	-
Administration fees	33,929	-
Advertising sales	25,100	10,500
Donations and fundraising	20,629	73,211
Interest and other income	4,400	1,223
Casino	-	44,005
Less registrations paid to OAAA <i>(Note 7)</i>	<u>(90,550)</u>	<u>(91,550)</u>
	<u>1,433,097</u>	<u>1,246,839</u>
EXPENSES		
Ice rentals	742,711	704,038
Sub-contracts	144,367	130,677
Fundraising distributions to teams	142,370	-
Referees	105,610	89,726
Insurance	91,259	89,340
Raffle expenses	51,470	-
Equipment	38,099	122,408
Clinics and camps	37,220	37,831
Interest and bank charges	32,148	33,235
Evaluations	18,930	19,593
Photographs	13,902	13,897
Advertising and promotion	11,480	12,042
Registration fees	9,089	10,848
Web management	8,381	8,196
Amortization	7,984	9,854
Professional fees	7,700	4,200
Office	5,462	5,588
Rental	3,717	3,717
Telephone	3,435	4,054
Health and safety initiatives	2,777	2,417
Donations	<u>1,800</u>	<u>16,110</u>
	<u>1,479,911</u>	<u>1,317,771</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ (46,814)</u>	<u>\$ (70,932)</u>

See notes to financial statements

OKOTOKS MINOR HOCKEY ASSOCIATION**Statement of Changes in Net Assets****Year Ended May 31, 2020**

	Unrestricted Fund	Internally Restricted Fund	2020	2019 <i>(Unaudited)</i>
NET ASSETS - BEGINNING OF YEAR	\$ 203,630	\$ 29,284	\$ 232,914	\$ 303,847
Deficiency of revenue over expenses	(41,806)	(5,008)	(46,814)	(70,932)
NET ASSETS - END OF YEAR	\$ 161,824	\$ 24,276	\$ 186,100	\$ 232,915

OKOTOKS MINOR HOCKEY ASSOCIATION**Statement of Cash Flows****Year Ended May 31, 2020**

	2020	2019 <i>(Unaudited)</i>
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (46,814)	\$ (70,932)
Item not affecting cash:		
Amortization of property and equipment	7,984	9,854
	<u>(38,830)</u>	<u>(61,078)</u>
Changes in non-cash working capital:		
Accounts receivable	(2,550)	(1,450)
Prepaid expenses	(36,944)	9,109
Accounts payable and accrued liabilities	8,110	(64,250)
Deferred income	625	(648)
Deposits received	-	(900)
Deferred rent	3,717	3,717
	<u>(27,042)</u>	<u>(54,422)</u>
Cash flow used by operating activities	<u>(65,872)</u>	<u>(115,500)</u>
INVESTING ACTIVITY		
Purchase of property and equipment	-	(16,857)
DECREASE IN CASH FLOW	(65,872)	(132,357)
Cash - beginning of year	<u>198,345</u>	<u>330,702</u>
CASH - END OF YEAR	\$ 132,473	\$ 198,345
CASH CONSISTS OF:		
Unrestricted cash	\$ 131,830	\$ 198,150
Restricted cash	<u>643</u>	<u>195</u>
	\$ 132,473	\$ 198,345

See notes to financial statements

OKOTOKS MINOR HOCKEY ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

1. PURPOSE OF THE ASSOCIATION

Okotoks Minor Hockey Association (the "Association") is incorporated under the Societies Act of Alberta. The Association is a not-for-profit organization and is exempt from the payment of income taxes under the Income Tax Act.

The Association administers a minor hockey program for residents in the Municipal District of Foothills, including the Town of Okotoks.

2. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the Association adopted Canadian accounting standards for not-for-profit organizations (ASNFP). These financial statements are the first prepared in accordance with these standards. The changes have been applied retrospectively, resulting in changes to beginning equity and restatement of certain assets and liabilities as described below.

a) The statement of financial position at June 1, 2018 has been restated as follows:

The hardship fund reserve was previously presented as a liability, and has been reclassified as internally restricted net assets.

b) The balance of net assets at June 1, 2018 was adjusted as follows:

	<i>June 1</i> 2018
Net assets, beginning, as previously reported	\$ 272,299
Adjustments to beginning net assets:	
Reclassification of hardship fund as internally restricted	31,548
Net assets, beginning, as restated.	<u>\$ 303,847</u>

c) Excess of revenues over expenses for the year ended May 31, 2019 has been restated as follows:

	<i>May 31</i> 2019	Adjustment	Restated
Revenue	\$ 1,249,102	\$ (2,263)	\$ 1,246,839
Expenses	(1,314,055)	(3,716)	(1,317,771)
Income before amortization and taxes	(64,953)	(5,979)	(70,932)
Excess of revenues over expenses	<u>\$ (64,953)</u>	<u>\$ (5,979)</u>	<u>\$ (70,932)</u>

d) The cash flow statement for the year ended May 31, 2019 was fully restated as there was none previously.

OKOTOKS MINOR HOCKEY ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Revenue recognition

Okotoks Minor Hockey Association follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Fund accounting

Okotoks Minor Hockey Association maintains an unrestricted fund and an internally restricted fund in accounting for its activities. All unrestricted revenues and expenses are recorded in the unrestricted fund with appropriations between funds being authorized by the Association's board of directors.

The internally restricted fund contains amounts generated from fundraising events and is restricted for uses outside of the general operations of the Association, as designated by the board of directors. The Association has established an internally restricted hardship fund to subsidize the cost of registrations for families in need. The Board may change the restricted status of these funds by Board resolution at any time.

Cash and restricted cash

Cash includes unrestricted balances with banks. Restricted cash consists of internally and externally restricted funds held in the Association's restricted bank accounts.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Equipment	20%	declining balance method
Computer equipment	55%	declining balance method
Furniture and fixtures	20%	declining balance method
Leasehold improvements	10 years	straight-line method

The Association records a write-down when its property and equipment 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.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

(continues)

OKOTOKS MINOR HOCKEY ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Amortization of property and equipment and accrued liabilities are based on estimates. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Contributed services

The Association records the value of contributed services when the fair value can be reasonably estimated and 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. RESTRICTED CASH

Restricted cash consists of cash acquired through raffle and casino operations, for which the use is restricted to specified purposes approved by the Alberta Gaming, Liquor and Cannabis Commission (AGLC).

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Equipment	\$ 64,639	\$ 40,749	\$ 23,890	\$ 29,863
Computer equipment	2,321	2,318	3	7
Furniture and fixtures	12,472	6,506	5,966	7,457
Leasehold improvements	5,157	1,547	3,610	4,126
	<u>\$ 84,589</u>	<u>\$ 51,120</u>	<u>\$ 33,469</u>	<u>\$ 41,453</u>

OKOTOKS MINOR HOCKEY ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

6. LEASE COMMITMENTS

The Association has a long term lease with respect to its office. The lease is for a 10 year period ending December 31, 2028, with a renewal option for an additional 10 years. Under the terms of the agreement, no rent is paid for the first three years of the lease. Future minimum lease payments as at May 31, 2020, are as follows:

2022	\$	2,083
2023		5,042
2024		5,143
2025		5,245
Thereafter		<u>19,657</u>
	\$	<u>37,170</u>

7. RELATED PARTY TRANSACTIONS

The Association made collected and transferred registration fees in the amount of \$90,550 (2019 - \$91,550) to the Okotoks Oilers Athletic Association ("OOAA"), which is the Association's affiliated AA and AAA minor hockey organization. Transactions with the OOAA are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of May 31, 2020.

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 from customers. In order to reduce its credit risk, the Association reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its floating interest rate bank savings account.

OKOTOKS MINOR HOCKEY ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

9. SUBSEQUENT EVENTS

Subsequent to year-end, the COVID-19 outbreak has resulted in reduced programs and related revenues. The extent of the impact of COVID-19 on the operational and financial performance of the Association will depend on certain developments, including the duration and spread of the outbreak, and the impact on members and suppliers, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations of the Association is uncertain.

10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
