

Amateur Hockey Association Illinois, Inc.

**Financial Statements and
Independent Auditors' Report**

May 31, 2005

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MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Amateur Hockey Association Illinois, Inc.
Elk Grove Village, Illinois

We have audited the accompanying statement of financial position of Amateur Hockey Association Illinois, Inc. as of May 31, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amateur Hockey Association Illinois, Inc. as of May 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MILLER, COOPER & CO., LTD.

Miller Cooper & Co., Ltd.

Certified Public Accountants

Northbrook, Illinois
November 11, 2005

FINANCIAL STATEMENTS

Amateur Hockey Association Illinois, Inc.
STATEMENT OF FINANCIAL POSITION
May 31, 2005

ASSETS

CURRENT ASSETS

Cash	\$ 283,327
Accounts receivable	1,084
Pledges receivable	34,598
Prepaid expenses and other current assets	<u>19,906</u>

Total current assets 338,915

PROPERTY AND EQUIPMENT, net 54,985

\$ 393,900

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 32,503
Deferred revenue	<u>86,968</u>
	<u>119,471</u>

NET ASSETS, unrestricted 274,429

\$ 393,900

The accompanying notes are an integral part of this statement.

Amateur Hockey Association Illinois, Inc.
STATEMENT OF ACTIVITIES
Year ended May 31, 2005

Changes in unrestricted net assets

Revenues

Registration fees	\$ 239,587
Participation fees	386,357
Blackhawk charities grant	155,000
Other grants and donations	140,129
Gate receipts at events	98,897
Merchandise sales	3,710
Newsletter advertising income	16,762
Interest income	5,759
Insurance premium reimbursements	8,457
Miscellaneous	<u>13,141</u>

Total revenues	<u>1,067,799</u>
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Expenses

Program services	
Events and programs for members	772,363
Supporting services	
Management and general	155,828
Registrar	50,383
Fundraising	<u>37,262</u>

Total expenses	<u>1,015,836</u>
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CHANGE IN UNRESTRICTED NET ASSETS	51,963
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Net assets, beginning of year	<u>222,466</u>
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Net assets, end of year	<u><u>\$ 274,429</u></u>
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The accompanying notes are an integral part of this statement.

Amateur Hockey Association Illinois, Inc.
STATEMENT OF CASH FLOWS
Year ended May 31, 2005

Cash flows from operating activities	
Change in unrestricted net assets	\$ 51,963
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities	
Depreciation	17,420
(Increase) decrease in assets	
Accounts receivable	7,459
Pledges receivable	(11,491)
Prepaid expenses and other current assets	(15,786)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	18,673
Deferred revenue	22,399
	<hr/>
Net cash provided by operating activities	90,637
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Cash flows from investing activities	
Purchases of property and equipment	(22,448)
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Net cash used in investing activities	(22,448)
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INCREASE IN CASH	68,189
Cash, beginning of year	215,138
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Cash, end of year	\$ 283,327
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The accompanying notes are an integral part of this statement.

Amateur Hockey Association Illinois, Inc.
NOTES TO FINANCIAL STATEMENTS
May 31, 2005

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Amateur Hockey Association Illinois, Inc. (AHAI) has been in operation since December 15, 1975. AHAI is an Illinois not-for-profit corporation exempt from income tax under Internal Revenue Code Section 501(c)(3). Its main purpose is to encourage and improve the standards and conduct of amateur ice hockey in the State of Illinois. Revenues are derived principally from AHAI's programs.

2. Basis of Accounting and Presentation

The financial statements of AHAI have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

The financial statement presentation follows the Financial Accounting Standards Board's Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, AHAI is required to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions, according to the following three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All of AHAI's net assets are unrestricted at May 31, 2005.

3. Pledges Receivable

Pledges receivable are unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value.

4. Property and Equipment

Property and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives, as follows:

	<u>Years</u>
Leasehold improvements	Life of lease
Equipment	5
Software	3

Amateur Hockey Association Illinois, Inc.
NOTES TO FINANCIAL STATEMENTS
May 31, 2005

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

5. Deferred Revenue

Deferred revenue represents cash collected for membership registrations and other services that have not been earned at May 31, 2005.

6. Revenue Recognition

Revenue is recognized when the service has been provided.

Conditional grants for which the conditions have not been met and unearned grant receipts are reported as liabilities until the conditions have been met or the revenues have been earned.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions not collected as of the end of the year are disclosed as pledges receivable and are recorded at their estimated present value.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 consolidated statement of activities as net assets released from restrictions.

7. Income Taxes

AHAI is an Illinois not-for-profit corporation exempt from income tax under Internal Revenue Code Section 501(c)(3). However, income tax may be incurred on unrelated business income derived from space sold to advertisers in AHAI's newsletter. No income tax was due during fiscal 2005.

8. Expense Allocation

AHAI allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification.

Amateur Hockey Association Illinois, Inc.
NOTES TO FINANCIAL STATEMENTS
May 31, 2005

8. Expense Allocation (Continued)

Supporting services are those services related to operating and managing AHAI and its programs on a day-to-day basis. Supporting services have been subclassified as follows:

Management and general - includes all activities related to AHAI's internal management and accounting for program services.

Registrar - includes all activities related to registering teams and playoffs.

Fundraising includes all activities related to the selling of merchandise and other similar projects related to the procurement of funds for AHAI's programs.

9. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

Leasehold improvements	\$ 39,420
Equipment	18,018
Software	<u>156,340</u>
Total property and equipment	213,778
Less accumulated depreciation	<u>158,793</u>
Property and equipment, net	<u><u>\$ 54,985</u></u>

Amateur Hockey Association Illinois, Inc.
NOTES TO FINANCIAL STATEMENTS
May 31, 2005

NOTE C - LEASE OF ICE ARENA

AHAI leases office and meeting space, as well as ice time, from an ice skating facility. The lease is a non-cancelable operating lease expiring on February 28, 2014. Under the terms of the lease, as long as AHAI rents 300 hours of ice time from the facility for each twelve-month period ending on May 31, it will not be charged rent for office and meeting space. If AHAI does not rent 300 hours of ice time, it will be required to pay the lessor \$24,000 for that year for the office and meeting space. For the year ended May 31, 2005, the minimum ice usage rental time was met; accordingly, no rental expense for office and meeting space was incurred. Future ice usage time is expected to be similar.

NOTE D - CONTINGENT LIABILITIES

AHAI has been named as a defendant in three lawsuits. These proceedings are, in the opinion of management, ordinary, routine matters incidental to the nature of AHAI. No specific monetary damages have been specified, other than jurisdictional limits, in these lawsuits. AHAI believes that these lawsuits are without merit and intends to vigorously defend its position in all cases. In the opinion of management, such proceedings are covered by insurance. The possible outcome or dollar exposure to AHAI, if any, is impractical to estimate at this stage of the proceedings.

NOTE E - LAWSUIT SETTLEMENT AND COMMITMENT

A lawsuit settlement agreement, in which AHAI was the defendant, requires that during fiscal years 2003 through 2006, AHAI expend a minimum of \$150,000 on new programs, events, and other activities for the promotion and growth of girl hockey players in Illinois. There are other provisions of the agreement for which AHAI could have to additionally provide up to a maximum of \$50,000 through fiscal 2006. All revenue generated by these new programs must be spent on programs for girl hockey players.

NOTE F - CONTRIBUTED SERVICES

Many unpaid volunteers have made significant contributions of their time to develop AHAI's programs. The value of this contributed time by volunteers and other contributed resources is not reflected in these financial statements since they do not meet the recognition criteria.

Amateur Hockey Association Illinois, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2005

NOTE G - CONCENTRATIONS OF CREDIT RISK

1. Uninsured Cash Balances

AHAI maintains its cash balances at three financial institutions located in the Chicago area. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At May 31, 2005, AHAI had \$185,368 of uninsured cash balances.

2. Significant Grantor

AHAI receives approximately 15% of its revenues from one grantor. Loss of this grant would require AHAI to seek additional revenue sources or secure new grants to continue to provide its current level of services.

SUPPLEMENTAL INFORMATION

Amateur Hockey Association Illinois, Inc.
SCHEDULE OF FUNCTIONAL EXPENSES
Year ended May 31, 2005

	Program Services	Supporting Services			
	Events and Programs for Members	Management and General	Registrar	Fundraising	Total
Awards	\$ 88,087	\$ 884	\$ -	\$ -	\$ 88,971
Computer services	549	751	-	-	1,300
Depreciation	-	17,420	-	-	17,420
Donations	1,300	1,900	-	4,300	7,500
G.R.O.W. grants	19,295	-	-	-	19,295
Hospitality	14,630	1,630	-	19,054	35,314
Ice fees	226,039	-	-	-	226,039
Insurance	-	11,997	-	-	11,997
Jerseys and equipment	62,205	2,151	-	2,735	67,091
Legal fees	-	5,311	-	-	5,311
Meeting expenses	5,119	2,686	1,121	-	8,926
Merchandise	-	-	-	8,970	8,970
Miscellaneous expense	1,254	8,438	-	1,000	10,692
Newsletter production	95,974	-	-	-	95,974
Officials	46,065	-	-	-	46,065
Player development	31,851	-	-	-	31,851
Postage and mailing	2,114	15,128	175	8	17,425
Printed materials	25,782	12,945	6,243	393	45,363
Professional fees	49,102	18,218	960	-	68,280
Screening	33,524	-	-	-	33,524
Supplies	9,154	701	-	802	10,657
Telephone	1,507	7,700	1,144	-	10,351
Travel	30,629	9,125	-	-	39,754
Wages and payroll taxes	28,183	38,843	40,740	-	107,766
	<u>\$ 772,363</u>	<u>\$ 155,828</u>	<u>\$ 50,383</u>	<u>\$ 37,262</u>	<u>\$ 1,015,836</u>