

Amateur Hockey Association Illinois, Inc.

**Financial Statements and
Independent Auditors' Report**

May 31, 2004

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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, 2004, 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, 2004, 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 13 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
October 7, 2004

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FINANCIAL STATEMENTS

Amateur Hockey Association Illinois, Inc.
STATEMENT OF FINANCIAL POSITION
May 31, 2004

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 215,138
Accounts receivable	8,543
Pledges receivable	23,107
Prepaid expenses and other current assets	<u>4,120</u>

Total current assets 250,908

PROPERTY AND EQUIPMENT, net 49,957

\$ 300,865

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 13,830
Deferred revenue	<u>64,569</u>
	<u>78,399</u>

NET ASSETS, unrestricted 222,466

\$ 300,865

The accompanying notes are an integral part of this statement.

Amateur Hockey Association Illinois, Inc.

STATEMENT OF ACTIVITIES

Year ended May 31, 2004

Changes in unrestricted net assets

Revenues

Registration fees	\$ 230,678
Participation fees	367,477
Program service fees	32,622
Blackhawk charities grant	155,000
Other grants and donations	101,921
Gate receipts at events	87,754
Merchandise sales	18,299
Newsletter advertising income	30,388
Interest income	2,388
Miscellaneous	26,897

Total revenues	<u>1,053,424</u>
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Expenses

Program services	
Events and programs for members	790,870
Supporting services	
Management and general	168,292
Registrar	45,988
Fundraising	36,686

Total expenses	<u>1,041,836</u>
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CHANGE IN NET ASSETS	11,588
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Net assets, beginning of year	<u>210,878</u>
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Net assets, end of year	<u><u>\$ 222,466</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, 2004

Cash flows from operating activities	
Change in net assets	\$ 11,588
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	17,113
(Increase) decrease in assets	
Accounts receivable	17,938
Pledges receivable	(23,107)
Inventory	7,000
Prepaid expenses and other current assets	6,020
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(8,703)
Deferred revenue	<u>50,875</u>
Net cash provided by operating activities	<u>78,724</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(1,492)</u>
Net cash used in investing activities	<u>(1,492)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	77,232
Cash and cash equivalents, beginning of year	<u>137,906</u>
Cash and cash equivalents, end of year	\$ <u><u>215,138</u></u>

The accompanying notes are an integral part of this statement.

Amateur Hockey Association Illinois, Inc.
NOTES TO FINANCIAL STATEMENTS
May 31, 2004

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, 2004.

3. Cash and Cash Equivalents

AHAI considers all highly liquid investments with a maturity at the date of purchase of three months or less to be cash equivalents.

4. 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.

Amateur Hockey Association Illinois, Inc.
NOTES TO FINANCIAL STATEMENTS
May 31, 2004

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

5. Property and Equipment

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

	<u>Years</u>
Leasehold improvements	10 - 40
Equipment	5
Software	3

6. Deferred Revenue

Deferred revenue represents cash collected for membership registrations and other services that have not been fulfilled at May 31, 2004.

7. Revenue Recognition

Revenue is recognized when a donation is pledged or when the service has been provided.

8. 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 2004.

9. 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, 2004

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

9. 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 sub-classified 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.

10. 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	134,794
Software	<u>17,115</u>
 Total property and equipment	 191,329
Less accumulated depreciation	<u>141,372</u>
 Property and equipment, net	 \$ <u><u>49,957</u></u>

Amateur Hockey Association Illinois, Inc.
NOTES TO FINANCIAL STATEMENTS
May 31, 2004

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, 2004, the minimum ice usage rental time was met, and 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 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 will go to programs for girl hockey players.

As of May 31, 2004, AHAI has expended \$123,057 towards the required minimum settlement amount of \$150,000.

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, 2004

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, 2004, AHAI had \$77,649 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, 2004

	Program Services	Supporting Services			
	Events and Programs for Members	Management and General	Registrar	Fundraising	Total
Awards	\$ 57,470	\$ 1,094	\$ -	\$ -	\$ 58,564
Depreciation	-	17,113	-	-	17,113
Donations	11,480	500	-	4,300	16,280
G.R.O.W. grants	11,386	-	-	-	11,386
Hospitality	17,984	1,504	-	17,479	36,967
Ice fees	211,847	-	-	-	211,847
Insurance	-	15,311	-	-	15,311
Jerseys and equipment	57,173	2,260	-	3,226	62,659
Legal fees	-	755	-	-	755
Meeting expenses	4,751	6,231	771	-	11,753
Merchandise	15,859	2,316	-	-	18,175
Miscellaneous expense	39,925	4,214	-	1,275	45,414
Newsletter production	97,759	-	-	-	97,759
Officials	44,683	-	-	-	44,683
Outside services	61,889	5,976	982	-	68,847
Player development	31,201	-	-	-	31,201
Postage and mailing	5,908	13,539	52	5,963	25,462
Printed materials	30,322	12,439	6,035	1,920	50,716
Professional fees	6,410	11,175	-	-	17,585
Screening	34,692	-	-	-	34,692
Supplies	3,494	1,033	-	2,523	7,050
Telephone	2,937	7,424	1,257	-	11,618
Travel	30,201	11,738	-	-	41,939
Wages and payroll taxes	13,499	53,670	36,891	-	104,060
	<u>\$ 790,870</u>	<u>\$ 168,292</u>	<u>\$ 45,988</u>	<u>\$ 36,686</u>	<u>\$ 1,041,836</u>
