

**Amateur Hockey
Association Illinois, Inc.**

**Financial Statements and
Independent Auditors' Report**

May 31, 2003

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MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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, 2003, 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, 2003, 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 statement of functional expenses 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 audits 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.



Certified Public Accountants

Northbrook, Illinois
December 5, 2003

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FINANCIAL STATEMENTS

Amateur Hockey Association Illinois, Inc.
STATEMENT OF FINANCIAL POSITION
May 31, 2003

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 137,906
Accounts receivable	26,481
Inventory	7,000
Prepays and other current assets	<u>10,140</u>
Total current assets	181,527

PROPERTY AND EQUIPMENT, net of accumulated depreciation	<u>65,578</u>
	<u><u>\$ 247,105</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 22,533
Deferred revenue	<u>13,694</u>
	<u>36,227</u>

NET ASSETS, unrestricted	<u>210,878</u>
	<u><u>\$ 247,105</u></u>

The accompanying notes are an integral part of this statement.

Amateur Hockey Association Illinois, Inc.
STATEMENT OF ACTIVITIES
Year ended May 31, 2003

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Changes in unrestricted net assets			
Revenues			
Registration fees	\$ 200,427	\$ -	\$ 200,427
Participation fees	310,192	-	310,192
Program service fees	14,077	-	14,077
Blackhawk charities grant	155,000	-	155,000
Other grants and donations	54,124	-	54,124
Gate receipts at events	92,868	-	92,868
Merchandise sales	12,377	-	12,377
Newsletter advertising income	31,000	-	31,000
Interest income	2,074	-	2,074
Miscellaneous	14,680	-	14,680
	886,819	-	886,819
Net assets released from restrictions	6,000	(6,000)	-
Total revenues	892,819	(6,000)	886,819
Expenses			
Program services			
Events and programs for members	731,469	-	731,469
Supporting services			
Management and general	151,763	-	151,763
Registrar	46,070	-	46,070
Fundraising	12,948	-	12,948
Total expenses	942,250	-	942,250
DECREASE IN NET ASSETS	(49,431)	(6,000)	(55,431)
Net assets, beginning of year	260,309	6,000	266,309
Net assets, end of year	\$ 210,878	\$ -	\$ 210,878

The accompanying notes are an integral part of this statement.

Amateur Hockey Association Illinois, Inc.
STATEMENT OF CASH FLOWS
Year ended May 31, 2003

Cash flows from operating activities	
Decrease in net assets	\$ (55,431)
Adjustments to reconcile change in net assets	
to net cash used in operating activities	
Depreciation	19,536
(Increase) decrease in assets	
Accounts receivable	12,220
Prepays and other current assets	(1,911)
Decrease in accounts payable and accrued expenses	<u>(35,168)</u>
Net cash used in operating activities	<u>(60,754)</u>
Cash flows from financing activities	
Insurance proceeds from lawsuit settlement	350,000
Payment for lawsuit settlement	<u>(350,000)</u>
Net cash provided by financing activities	<u>-</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(60,754)
Cash and cash equivalents, beginning of year	<u>198,660</u>
Cash and cash equivalents, end of year	\$ <u><u>137,906</u></u>

The accompanying notes are an integral part of this statement.

Amateur Hockey Association Illinois, Inc.
NOTES TO FINANCIAL STATEMENTS
May 31, 2003

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.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its 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, 2003.

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. Inventory

Inventory consists of merchandise stated at the lower of cost (first-in, first-out) or market.

Amateur Hockey Association Illinois, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2003

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

5. Property and Equipment

Property and equipment acquisitions are recorded at cost. Only major replacements and improvements are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives. Years of lives generally used in determining annual depreciation are:

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

6. 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 is incurred on unrelated business income derived from space sold to advertisers in AHAI's newsletter.

7. 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.

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.

Amateur Hockey Association Illinois, Inc.
NOTES TO FINANCIAL STATEMENTS
May 31, 2003

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

8. 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	133,612
Software	<u>16,805</u>
 Total property and equipment	 189,837
Less accumulated depreciation	<u>124,259</u>
 Property and equipment, net of accumulated depreciation	 <u>\$ 65,578</u>

NOTE C - RELATED PARTY TRANSACTIONS

During the year ended May 31, 2003, AHAI paid for printing and postage services provided by a company affiliated with a member of the AHAI Board of Directors. Amounts paid for these services which are reported in operating expenses are approximately as follows:

Printing charges	\$ 6,000
Postage charges	<u>25,000</u>
	<u>\$ 31,000</u>

Amateur Hockey Association Illinois, Inc.
NOTES TO FINANCIAL STATEMENTS
May 31, 2003

NOTE D - 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 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, 2003, the minimum ice usage rental time was met, and no rental expense for office and meeting space was incurred.

NOTE E - CONTINGENT LIABILITIES

AHAI has been named as a defendant in two 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 both 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 and the ultimate disposition of the proceedings are at this stage impractical to estimate the likelihood of the possible outcome or dollar exposure to AHAI.

NOTE F - 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 provide up to a maximum of \$50,000 through fiscal 2006. All revenue generated by these new programs will go towards the programs for girl hockey players.

As part of this lawsuit settlement, AHAI was required to pay \$350,000 of attorneys' fees which were covered by insurance.

As of May 31, 2003, AHAI has expended \$33,155 towards the required minimum settlement amount of \$150,000.

Amateur Hockey Association Illinois, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2003

NOTE G - CONTRIBUTED RESOURCES AND 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 statements since they do not meet the recognition criteria.

NOTE H - CONCENTRATION OF CREDIT RISK

AHAI maintains cash balances at financial institutions located in the Chicago area. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At May 31, 2003, AHAI had no uninsured cash balances.

SUPPLEMENTAL INFORMATION

Amateur Hockey Association Illinois, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended May 31, 2003

	Program Services	Supporting Services			Total
	Events and Programs for Members	Management and General	Registrar	Fundraising	
Awards	\$ 51,812	\$ 595	\$ -	\$ -	\$ 52,407
Depreciation	-	19,536	-	-	19,536
Donations	2,153	27,000	-	250	29,403
G.R.O.W. grants	16,970	-	-	-	16,970
Hospitality	15,964	2,139	-	9,233	27,336
Ice fees	203,918	-	-	-	203,918
Insurance	-	21,430	-	-	21,430
Jerseys and equipment	49,427	5,921	-	-	55,348
Legal fees	-	1,789	-	-	1,789
Meeting expenses	15,907	1,272	710	-	17,889
Merchandise	12,517	-	-	-	12,517
Miscellaneous expense	28,748	6,973	-	1,441	37,162
Newsletter production	64,111	-	-	-	64,111
Officials	50,640	112	-	-	50,752
Outside services	47,808	7,510	804	-	56,122
Player development	17,914	-	-	-	17,914
Postage and mailing	4,087	15,484	87	150	19,808
Printed materials	28,389	10,296	6,679	551	45,915
Professional fees	39,198	11,518	162	-	50,878
Screening	41,304	-	-	-	41,304
Supplies	10,565	2,537	-	1,323	14,425
Telephone	5,845	2,617	1,461	-	9,923
Travel	24,192	15,034	-	-	39,226
Wages and payroll taxes	-	-	36,167	-	36,167
	<u>\$ 731,469</u>	<u>\$ 151,763</u>	<u>\$ 46,070</u>	<u>\$ 12,948</u>	<u>\$ 942,250</u>