

BLAINE YOUTH HOCKEY ASSOCIATION

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2014 AND 2013

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LANIGAN & KOLB, LTD.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
BLAINE YOUTH HOCKEY ASSOCIATION
Blaine, Minnesota

We have audited the statements of financial position of Blaine Youth Hockey Association as of March 31, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 Blaine Youth Hockey Association as of March 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lanigan & Kolb, LTD

November 12, 2014

**BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF FINANCIAL POSITION**

March 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash	\$ 131,283	\$ 223,939
Cash - savings	259,338	241,677
Restricted cash - gambling fund	106,062	46,655
Accounts receivable	132,988	155,074
Less allowance for doubtful accounts	(30,000)	(30,000)
Prepaid expenses	-	3,250
Gaming inventory	3,312	2,147
	<u>602,983</u>	<u>642,742</u>
INVESTMENT IN ICE ARENA (NET OF AMORTIZATION)	<u>1,371,421</u>	<u>1,484,176</u>
Total assets	<u><u>\$ 1,974,404</u></u>	<u><u>\$ 2,126,918</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 102,584	\$ 95,509
Accounts payable	12,502	9,594
Accrued gambling taxes	76,199	55,312
Deferred revenue	1,006	-
	<u>192,291</u>	<u>160,415</u>
LONG-TERM DEBT	<u>629,654</u>	<u>911,668</u>
Total liabilities	<u>821,945</u>	<u>1,072,083</u>
NET ASSETS		
Unrestricted	1,120,290	1,058,355
Gambling funds	32,169	(3,520)
	<u>1,152,459</u>	<u>1,054,835</u>
Total net assets	<u>1,152,459</u>	<u>1,054,835</u>
Total liabilities and net assets	<u><u>\$ 1,974,404</u></u>	<u><u>\$ 2,126,918</u></u>

See accompanying notes to financial statements.

**BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Years Ended March 31, 2014 and 2013

	2014	2013
REVENUES		
Registrations, fees	\$ 356,832	\$ 493,723
Total revenues	356,832	493,723
OPERATING EXPENSES		
Programs, training expense, ice	571,832	515,512
Program supplies, equipment	35,116	40,962
Insurance	1,840	1,766
Legal and accounting	19,434	15,554
Donations, sponsorships	37,711	25,172
Printing and advertising	1,922	3,394
Office supplies/postage	2,419	3,262
Bank charges/cc processing	12,137	12,185
Coaching	51,752	39,558
Referees	11,170	2,286
Miscellaneous	293	272
Staff/purchased services	7,750	6,000
Bad debts/collections	69	10,019
Computer/internet	2,168	4,201
Meetings expense	12,226	6,597
Association assessments	42,633	40,584
Travel expenses	920	3,375
Total operating expenses	811,392	730,699
CHANGES IN NET ASSETS FROM OPERATIONS	(454,560)	(236,976)
OTHER REVENUE (EXPENSE)		
Donations	2,130	1,150
Sponsorship	2,000	-
Interest income	15,212	11,911
Special events	9,310	10,413
Gambling operations	685,658	638,001
Interest expense	(43,784)	(58,747)
Amortization of arena investment	(112,755)	(112,755)
Fundraising expense	(5,587)	(9,834)
Total other revenue (expense)	552,184	480,139
CHANGES IN NET ASSETS	97,624	243,163
NET ASSETS, BEGINNING OF YEAR	1,054,835	811,672
NET ASSETS, END OF YEAR	\$ 1,152,459	\$ 1,054,835

See accompanying notes to financial statements.

**BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF CASH FLOWS**

For the Years Ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 97,624	\$ 243,163
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	112,755	112,755
(Increase) decrease in:		
Accounts receivable	22,086	(58,559)
Prepaid expenses	3,250	(29)
Inventory	(1,165)	3,157
Increase (decrease) in:		
Accounts payable	2,908	(6,098)
Accrued gambling taxes	20,887	(17,521)
Deferred revenue	1,006	-
	<u>259,351</u>	<u>276,868</u>
Net cash provided by operating activities		
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on long-term borrowing	<u>(274,939)</u>	<u>(217,435)</u>
Net cash used by financing activities	<u>(274,939)</u>	<u>(217,435)</u>
NET (DECREASE) INCREASE IN CASH	(15,588)	59,433
CASH - beginning	<u>512,271</u>	<u>452,838</u>
CASH - ending	<u><u>\$ 496,683</u></u>	<u><u>\$ 512,271</u></u>

See accompanying notes to financial statements.

BLAINE YOUTH HOCKEY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Blaine Youth Hockey Association is a Minnesota nonprofit organization organized to provide youth hockey training, instruction, team and tournament participation for area youth.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable provisions of the State of Minnesota.

The following accounting policies are presented to facilitate the understanding of information presented in the financial statements:

Revenues

Blaine Youth Hockey Association receives its revenue from registrations and fees paid by participants and from proceeds of its lawful gambling operations currently located at six sites within the Cities of Blaine, Bethel and Lexington.

Accounts Receivable

The accounts receivable are stated at full value with an estimated provision for doubtful accounts.

Investment in Ice Arena

In return for \$300,000 paid to the Centennial School District to assist in the construction of the Centennial Sports Arena, the Blaine Youth Hockey Association receives at least 26% of prime ice time per year. This guarantee remains in effect as long as the arena is used for ice skating. There are no provisions in the agreement requiring return of any of the \$300,000 to the Organization should the arena cease being used as an ice arena. The Organization believes its interest in the right to the use of the arena can be sold to a third party at a price at least equal to the \$300,000 invested.

During fiscal year ended March 31, 2001 Blaine Youth Hockey Association entered into an agreement with Fogerty Ice Arena to support the acquisition and construction of an additional sheet of ice at Fogerty Ice Arena. Blaine Youth Hockey Association agreed to contribute 50% of the down payment and 50% of the debt service in return for an option to purchase up to 60% of the available ice time in Fogerty Ice Arena. Blaine Youth Hockey Association contributed \$299,500 for the acquisition and construction of the additional sheet of ice. In addition, Blaine Youth Hockey Association entered into a general agreement with Fogerty Ice Arena for the payment of two bond programs, one of seven years to finance locker rooms and storage areas and a second of twenty years to finance the primary arena. The total of these financing obligations to

BLAINE YOUTH HOCKEY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blaine Youth Hockey Association equals \$1,066,606. The general agreement ensures Blaine Youth Hockey Association the opportunity to purchase up to 60% of the prime ice time. There are no provisions in the agreement requiring return of any of the monies invested to the Organization should the arena cease being used as an ice arena. The investment in the arena is being amortized over twenty years. The seven year bond was paid off in 2008. In January 2009 a new twenty year bond agreement was entered into for \$800,000.

During fiscal year ended March 31, 2007, Blaine Youth Hockey Association entered into an agreement with Fogerty Ice Arena to contribute 60% of the capital cost for the acquisition and construction of a dryland training facility. Blaine Youth Hockey Association was obligated to pay \$111,000 of the \$185,000 total cost, payable in three equal installments of \$37,000, all of which have been paid. In return Blaine Youth Hockey Association shall have the option to use 60% of total available time, both prime and non-prime. There are no provisions in the agreement requiring return of any of the monies invested to the Organization should the facility cease being used as a dryland training facility. The investment in the facility is being amortized over twenty

During fiscal year ended March 31, 2007, Blaine Youth Hockey Association entered into an agreement with the National Sports Center in Blaine to contribute \$775,000 of the capital cost for the acquisition and construction of an additional sheet of ice at the Sports Center. Blaine Youth Hockey Association financed its capital contribution obligation with Anchor Bank with a \$730,000 note payable over five years, ballooning in January 2012. This note was refinanced in December 2009 lowering the interest rate and payment. The new note is payable over five years, ballooning in December 2015. The general agreement ensures Blaine Youth Hockey Association the opportunity to purchase the prime ice time. There are no provisions in the agreement requiring return of any of the monies invested to the Organization should the center cease being used as an ice arena. The investment in the arena is being amortized over twenty years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The accounts receivable are primarily due from participants of the hockey program and users of the ice hockey arena.

BLAINE YOUTH HOCKEY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization receives a substantial portion of its revenue from lawful gambling operations. Changes in regulations or loss of lawful gambling sites could significantly affect revenue.

NOTE 2 LEASE COMMITMENTS

The Organization leases space for the sites of its six lawful gambling pull-tab booths within the Cities of Blaine, Bethel and Lexington. Total monthly rent under the pull-tab leases at March 31, 2014 cannot exceed \$10,500. The leases for the gambling operations run concurrently with the perpetual premise permits effective March 1, 2010 with a thirty day termination clause.

NOTE 3 GAMBLING FUNDS

Gambling funds represent the net equity in resources received from gambling operations which are used as designated by the Board of Directors for program purposes.

NOTE 4 LONG-TERM DEBT

Long-term debt outstanding at March 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
4.00% bond payable to Fogerty Ice Arena with monthly payments of \$5,906 including principal and interest due January 10, 2024.	\$ 467,986	\$ 568,360
6.24% note payable to Anchor Bank with monthly payments of \$6,488 including principal and interest for six years with a balloon payment December 28, 2015. Secured by all business assets.	264,252	438,817
	<u>732,238</u>	<u>1,007,177</u>
Less current maturities	102,584	95,509
	<u>\$ 629,654</u>	<u>\$ 911,668</u>

Principal payments required over the next five years under the above loans are as follows: 2015 - \$102,584; 2016 - \$398,143; 2017 - \$57,531; 2018 - \$59,875 and 2019 - \$62,314.