

Amateur Hockey Association Illinois, Inc.

**Financial Statements
For the Year Ended May 31, 2019**

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

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Independent Auditor's Report

To the Board of Directors
Amateur Hockey Association Illinois, Inc.
Bensenville, Illinois

We have audited the accompanying financial statements of Amateur Hockey Association Illinois, Inc., (a nonprofit organization) which comprise the statement of financial position as of May 31, 2019, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mazzoni and Associates, P.C.

Mazzoni and Associates

Rolling Meadows, Illinois
September 19, 2019

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Statement of Financial Position May 31, 2019

Assets

Current assets	
Cash and cash equivalents	\$ 937,094
Restricted cash	125,453
Short-term investments	9,575
Accounts receivable	6,019
Accounts receivable-officiating	153,606
Grants receivable	22,088
Prepaid expenses	<u>62,365</u>
Total current assets	<u>1,316,200</u>
Long-term investments	<u>471,840</u>
Equipment and leasehold improvements	
Equipment and leasehold improvements	115,857
Accumulated depreciation	<u>(106,187)</u>
Net equipment and leasehold improvements	<u>9,670</u>
Total assets	\$ <u><u>1,797,710</u></u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 55,726
Accounts payable-officiating	144,299
Deferred revenue	<u>17,394</u>
Total current liabilities	<u>217,419</u>
Net assets	
Without donor restrictions	1,448,838
With donor restrictions	<u>131,453</u>
Total net assets	<u>1,580,291</u>
Total liabilities and net assets	\$ <u><u>1,797,710</u></u>

The accompanying notes are an integral part of these financial statements

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Statement of Activities and Change in Net Assets For the Year Ended May 31, 2019

	Without Restrictions	With Restrictions	Total
Revenue and support			
Registration fees	\$ 408,341	\$ -	\$ 408,341
Participation fees	342,466		342,466
Grants and donations	58,064	489,402	547,466
Officiating fees	2,646,007		2,646,007
Gate receipts at events	54,342		54,342
Investment return, net	22,388		22,388
Miscellaneous	84,742		84,742
Net assets released from restrictions	357,949	(357,949)	0
Total revenue and support	<u>3,974,299</u>	<u>131,453</u>	<u>4,105,752</u>
Expenses			
Program services			
Events and programs for members	3,888,827		3,888,827
Supporting services			
Management and general	306,770		306,770
Fundraising	18,870		18,870
Total expenses	<u>4,214,467</u>	<u>-</u>	<u>4,214,467</u>
Change in net assets	(240,168)	131,453	(108,715)
Net assets, beginning of year	<u>1,689,006</u>	<u>-</u>	<u>1,689,006</u>
Net assets, end of year	<u>\$ 1,448,838</u>	<u>\$ 131,453</u>	<u>\$ 1,580,291</u>

The accompanying notes are an integral part of these financial statements

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Schedule of Functional Expenses For the Year Ended May 31, 2019

	Events and Programs for Members	Management and General	Fundraising	Total
Awards	\$ 83,091	\$ 10,743	\$ -	\$ 93,834
Bank charges		30,466		30,466
Computer services	16,390	917		17,307
Depreciation	2,326			2,326
Donations	44,910			44,910
Hospitality	12,846	13,448		26,294
Ice fees	313,692			313,692
Insurance		1,461		1,461
Jerseys and equipment	89,184	2,588		91,772
Legal fees		43,318		43,318
Meeting expenses	60,942	20,207		81,149
Miscellaneous expense	15,562	4,269		19,831
Officials	2,527,420			2,527,420
Official development	6,070			6,070
Player development	7,178			7,178
Postage and mailing	4,894	7,576		12,470
Printed materials	42,922	15,802		58,724
Professional fees	244,448	11,015		255,463
Rental	7,969	4,388		12,357
Registrations	7,808			7,808
Screening	56,089			56,089
Supplies	53,245	7,778		61,023
Telephone	6,945	3,538		10,483
Travel	227,386	25,918		253,304
Wages and payroll taxes	57,510	103,338	18,870	179,718
Total expenses	\$ 3,888,827	\$ 306,770	\$ 18,870	\$ 4,214,467

The accompanying notes are an integral part of these financial statements

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Statement of Cash Flows For the Year Ended May 31, 2019

Cash flows from operating activities	
Change in net assets	\$ (108,715)
Adjustments to reconcile change in net assets to net cash (used in) operating activities	
Depreciation	2,326
Realized (gains) on investments	(7,466)
Unrealized (gains) on investments	(2,295)
(Increase) decrease in assets:	
Accounts receivable	78,389
Grants receivable	(229)
Prepaid expenses and other assets	(45,073)
Increase (decrease) in liabilities:	
Accounts payable	(28,054)
Accrued expenses	(3,953)
Deferred revenue	17,394
Net cash (used in) operating activities	<u>(97,676)</u>
Cash flows from investing activities	
Proceeds from maturity of short-term investments	914
Purchases of long-term investments	(44,543)
Proceeds from maturity of long-term investments	31,370
Net cash (used in) investing activities	<u>(12,259)</u>
Net (decrease) in cash and cash equivalents	(109,935)
Cash and cash equivalents, beginning of year	<u>1,172,482</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,062,547</u></u>
Cash and cash equivalents consists of the following:	
Cash and cash equivalents	\$ 937,094
Restricted cash and cash equivalents	<u>125,453</u>
Total cash and cash equivalents	<u><u>\$ 1,062,547</u></u>

The accompanying notes are an integral part of these financial statements

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

Note 1 – Organization and nature of activities

The Amateur Hockey Association Illinois, Inc. (AHAI), incorporated on December 15, 1975, is a not-for-profit corporation organized under the laws of the State of Illinois, and has been classified by the U.S. Internal Revenue Service as a 501(c)(3) not-for-profit organization. Its main purpose is to encourage and improve the standards and conduct of amateur ice hockey in the state of Illinois. In addition to its other programs, AHAI has formed a committee to oversee the assignment of officials to games for its various members. Revenues are derived principally from AHAI's programs.

Note 2 – Summary of significant accounting policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Basis of presentation

The financial statements of AHAI have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require AHAI to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of AHAI's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of AHAI or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restriction in the statements of activities.

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

Note 2 – Summary of significant accounting policies, cont'd

Cash and cash equivalents

Cash and cash equivalents consist of checking, saving, money market and certificates of deposit accounts. For the purpose of the statement of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities and change in net assets. Realized gains and losses on investments sold, determined on a specific identification basis, are also included in revenue. The Organization's investments are managed by a professional manager.

Accounts receivable

The Organization uses the allowance method to account for uncollectible contributions and accounts receivable balances. Under the allowance method, if needed, an estimate of uncollectible customer balances is made based upon expected actual write-offs. Factors used to establish an allowance include the credit quality of the customer and whether the balance is significant. Accounts are considered past due once the unpaid balance is 90 days or more outstanding, unless payment terms are extended by contract. There was no allowance for doubtful accounts recorded as of May 31, 2019.

Grants receivable

Grants receivable are expected to be collected within one year and are recorded at net realizable value.

Equipment and leasehold improvements

The Organization capitalizes purchased property and equipment in excess of \$2,000 to which it has title at cost. Donated assets are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Equipment and leasehold improvements are recorded at cost. Depreciation is recorded using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	Life of Lease
Equipment	5

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

Note 2 – Summary of significant accounting policies, cont'd

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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.

Contributed services

The Organization receives donated services from several organizations and many individuals who volunteer their time and facilities and perform a variety of tasks that assist the Organization. The value of the contributed time by volunteers and other contributed resources is not reflected in the accompanying statement of activities because the accounting criteria for recognition of such contributed services have not been satisfied.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, has made no provision for income taxes in the accompanying financial statements. There was no unrelated business income for the year ended May 31, 2019.

The Organization accounts for any potential interest or penalties related to the possible future liabilities for unrecognized income tax benefits as other expense. The Organization's tax filings are subject to audit by various taxing authorities. At May 31, 2019 the Organization is no longer subject to examination by federal and state taxing authorities for periods ending before 2015.

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

Note 2 – Summary of significant accounting policies, cont'd

Functional allocation of expenses

Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages and payroll taxes, which are allocated on the basis of estimates of time and effort.

Estimates

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

Date of management's review

The Organization evaluated all significant events or transactions that occurred through September 19, 2019, the date that the financial statements were available to be issued.

New accounting pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. AHAI has adjusted the presentation of these statements accordingly.

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

Note 3 – Investments

Investments at cost and at fair values described in Note 2 above are summarized as follows:

	<u>Cost</u>	<u>Value</u>
Equity and debt securities		
Short-term investments	\$ 9,575	\$ 9,575
U.S. Government note and bonds	34,546	37,492
U.S. Agency mortgage obligations	58,882	61,202
Mutual funds	90,557	93,227
Common stock	62,753	61,908
USA Hockey Foundation pooled fund	<u>200,000</u>	<u>218,011</u>
Total investments	\$ <u>456,313</u>	\$ <u>481,415</u>

The following schedule summarizes investment returns for the year ended May 31, 2019:

Interest and dividend income	\$ 15,956
Advisory fees	(3,329)
Realized gains on investments	7,466
Unrealized gains on investments	<u>2,295</u>
Total investment return	\$ <u>22,388</u>

Note 4 – Fair value measurements

The Organization measures certain financial assets and liabilities at fair value in accordance with U.S. GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement.

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

Note 4 – Fair value measurements, cont'd.

The three levels within the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at May 31, 2019.

Common stocks, U.S. government securities, and mutual funds: Valued at the closing prices reported on the active market on which the individual securities are traded.

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

Note 4 – Fair value measurements, cont'd

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of May 31, 2019:

	Assets at Fair Value as of May 31, 2019			
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 9,575	\$	\$	\$ 9,575
U.S. Government securities	98,694			98,694
Mutual funds	93,227			93,227
Common stocks	61,908			61,908
USA Hockey Foundation pooled fund		218,011		218,011
Total investments	\$ 263,404	\$ 218,011	\$	\$ 481,415

The above categories include \$200,000 at May 31, 2019 invested in a pooled portfolio managed by the USA Hockey Foundation (USAHF). The remainder of the Organization's investment portfolio is managed by the Fries Wealth Management Group and is invested with Merrill Lynch.

The investment consists of units in a pooled portfolio managed by the USAHF. At May 31, 2019, the USAHF portfolio consisted of the following types of securities:

Equities	62.42%
Bonds and notes	31.06%
Cash & cash equivalents	6.52%
	<u>100.00%</u>

The carrying value of the Organization's cash and cash equivalents, accounts receivable, grants receivable, other assets, accounts payable, and accrued expenses approximate their fair values because they are stated at net realizable value.

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

Note 5 – Equipment and leasehold improvements

The following is a summary of equipment and leasehold improvements as of May 31, 2019:

Equipment	\$ 70,487
Leasehold improvements	<u>45,370</u>
	115,857
Accumulated depreciation	<u>106,187</u>
Net	\$ <u>9,670</u>

Note 6 – Support

The Organization's support is provided by registration fees, participation fees, grants and other donations from individuals and businesses in the community.

Note 7 – License Agreement

AHAI obtains office and meeting space, as well as ice time, from an ice skating facility through a license agreement which expired on June 30, 2019 and has been subsequently renewed until June 30, 2022. Under the terms of the agreement, AHAI will not be charged rent for office and meeting space as long as AHAI purchases ice time from the facility for seven events each operating year defined as September 1st through August 31st. For the year ending May 31, 2019, the required ice usage rental time was met. Future ice usage time is expected to be similar.

Note 8 – Concentration of credit and market risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash, money market and certificate of deposit accounts in financial institutions, which from time to time exceed the Federal Depository Insurance Corporation limits. At May 31, 2019, the Organization had deposits in excess of federally insured limits of approximately \$336,000.

Some investments are exposed to various risks that may cause their reported fair values to fluctuate from period to period and could materially affect the recorded amount of investments in the financial statements. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of individual companies, general business and industry market conditions and the state or perceived direction of the economy. The values of debt securities fluctuate in response to changing interest rates, credit worthiness of issuers, and overall economic policies that impact market conditions. Though the market values of investments are subject to fluctuation, management and the Board of Directors believe that the investment policy is prudent for the long-term welfare of the Organization.

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

Note 9 – Liquidity and availability of financial assets

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of encouraging and improving amateur ice hockey in Illinois, as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures and liabilities as they come due, not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$	937,094
Short-term investments		9,575
Accounts receivable		159,625
Grants receivable		<u>22,088</u>
	\$	<u><u>1,128,382</u></u>

Note 10 – Contingencies

The Organization is involved in two lawsuits in the normal course of business. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. In the opinion of management, any losses that may occur would be covered by their insurance company. Accordingly, no provisions for any contingent liabilities that may result have been made in the financial statements. Management denies the allegations and intends to vigorously defend itself against these lawsuits.

Note 11 – Related party transaction

During the year ended May 31, 2019, the Organization utilized a company owned by the national affiliate president to provide printed material, mailing services and promotional goods totaling \$99,873.