

Amateur Hockey Association Illinois, Inc.

**Financial Statements
For the Year Ended May 31, 2018**

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

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MAZZONI AND ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS
3601 ALGONQUIN ROAD – SUITE 300
ROLLING MEADOWS, IL 60008
PHONE: (847) 253-9310
FAX: (847) 253-9312

Steve Mazzoni, CPA, MST
John Manella, CPA, CFE
Kathy Mazzoni, CPA

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, 2018, 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, 2018, 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
October 9, 2018

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Statement of Financial Position
May 31, 2018

Assets

Current assets	
Cash and cash equivalents	\$ 1,172,482
Short-term investments	10,489
Accounts receivable	82,609
Accounts receivable-officiating	155,405
Grants receivable	21,859
Prepaid expenses	<u>17,292</u>
Total current assets	<u>1,460,136</u>
Long-term investments	<u>448,906</u>
Equipment, leasehold improvements and software	
Equipment, leasehold improvements and software	116,386
Accumulated depreciation	<u>(104,390)</u>
Net equipment, leasehold improvements and software	<u>11,996</u>
Total assets	\$ <u><u>1,921,038</u></u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 56,106
Accounts payable-officiating	171,973
Accrued expenses	<u>3,953</u>
Total current liabilities	<u>232,032</u>
Unrestricted net assets	<u>1,689,006</u>
Total liabilities and net assets	\$ <u><u>1,921,038</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, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Registration fees	\$ 489,444	\$ -	\$ 489,444
Participation fees	371,097		371,097
Grants and donations	548,643		548,643
Officiating fees	2,858,473		2,858,473
Gate receipts at events	50,266		50,266
Investment return	9,909		9,909
Miscellaneous	84,909		84,909
Net assets released from restrictions	9,974	(9,974)	0
	<u>4,422,715</u>	<u>(9,974)</u>	<u>4,412,741</u>
Total revenue and support			
	<u>4,422,715</u>	<u>(9,974)</u>	<u>4,412,741</u>
Expenses			
Program services			
Events and programs			
for members	4,135,742		4,135,742
Supporting services			
Management and general	233,938		233,938
Fundraising	33,780		33,780
	<u>4,403,460</u>		<u>4,403,460</u>
Total expenses			
	<u>4,403,460</u>		<u>4,403,460</u>
Change in net assets	19,255	(9,974)	9,281
Net assets, beginning of year	<u>1,669,751</u>	<u>9,974</u>	<u>1,679,725</u>
Net assets, end of year	<u>\$ 1,689,006</u>	<u>\$ -</u>	<u>\$ 1,689,006</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, 2018

	Events and Programs for Members	Management and General	Fundraising	Total
Awards	\$ 111,825	\$ 5,234	\$ -	\$ 117,059
Bank charges		15,415		15,415
Computer services	36,691	780		37,471
Depreciation		1,809	1,300	3,109
Donations	43,089			43,089
Hospitality	29,155	10,191		39,346
Ice fees	452,251			452,251
Insurance		1,824		1,824
Jerseys and equipment	121,237			121,237
Legal fees		7,820		7,820
Meeting expenses	23,448	26,961		50,409
Miscellaneous expense	17,162	22,823		39,985
Officials	2,745,607			2,745,607
Official development	3,885			3,885
Player development	15,173			15,173
Postage and mailing	6,807	7,371	183	14,361
Printed materials	41,091	12,219	796	54,106
Professional fees	235,517	9,800		245,317
Rental	8,680	2,965		11,645
Registrations	8,161			8,161
Screening	53,373			53,373
Supplies	30,864	8,118	31,501	70,483
Telephone	4,669	5,049		9,718
Travel	53,362	23,918		77,280
Wages and payroll taxes	93,695	71,641		165,336
Total expenses	\$ 4,135,742	\$ 233,938	\$ 33,780	\$ 4,403,460

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, 2018

Cash flows from operating activities	
Change in net assets	\$ 9,281
Adjustments to reconcile change in net assets to net cash (used in) operating activities	
Depreciation	3,109
Realized (gains) on investments	(3,202)
Unrealized (gains) on investments	(1,348)
(Increase) decrease in assets:	
Accounts receivable	(16,681)
Grants receivable	(819)
Prepaid expenses and other assets	5,288
Increase (decrease) in liabilities:	
Accounts payable	(4,151)
Accrued expenses	(157)
	<hr/>
Net cash (used in) operating activities	(8,680) <hr/>
Cash flows from investing activities	
Purchases of short-term investments	(10,489)
Purchases of long-term investments	(444,356) <hr/>
	<hr/>
Net cash (used in) investing activities	(454,845) <hr/>
Net (decrease) in cash and cash equivalents	(463,525)
Cash and cash equivalents, beginning of year	<hr/> 1,636,007
Cash and cash equivalents, end of year	\$ <hr/> <hr/> 1,172,482

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.

Financial statement presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

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.

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

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

Grants receivable

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

Equipment, leasehold improvements and software

Equipment, leasehold improvement and software 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

Contributions

All contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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.

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

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

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 these financial statements since they do not meet the criteria for recognition as contributed services.

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 federal income taxes in the accompanying financial statements. There was no unrelated business income for the year ended May 31, 2018.

The Organization adopted the accounting for uncertainty in income tax guidance, which clarifies the accounting and recognition for tax positions taken on its income tax returns. In evaluating the Organization's tax provisions and accruals, the Organization believes that its estimates are appropriate and the Organization has no material unrecognized income tax positions. The Organization's tax filings are subject to audit by various taxing authorities. At May 31, 2018 the Organization is no longer subject to examination by federal and state taxing authorities for periods ending before 2014.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited 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.

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

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

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.

Date of management's review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 9, 2018, the date the financial statements were available to be issued.

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	\$ 10,489	\$ 10,489
U.S. Government note and bonds	31,762	32,406
U.S. Agency mortgage obligations	58,028	58,660
Mutual funds	88,125	88,346
Common stock	61,520	61,614
USA Hockey Foundation pooled fund	200,000	207,880
	<u>449,924</u>	<u>459,395</u>
Total investments	\$ <u>449,924</u>	\$ <u>459,395</u>

The following schedule summarizes investment returns for the year ended May 31, 2018:

Interest and dividend income	\$ 5,789
Advisory fees	(430)
Realized gains on investments	3,202
Unrealized gains on investments	<u>1,348</u>
Total investment return	\$ <u>9,909</u>

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

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.

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, 2018.

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

Note 4 – Fair value measurements, cont'd

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of May 31, 2018:

	Assets at Fair Value as of May 31, 2018			
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 10,489	\$	\$	\$ 10,489
U.S. Government securities	91,066			91,066
Mutual funds	88,346			88,346
Common stocks	61,614			61,614
USA Hockey Foundation pooled fund		207,880		207,880
Total investments	<u>\$ 251,515</u>	<u>\$ 207,880</u>	<u>\$</u>	<u>\$ 459,395</u>

The above categories include \$200,000 at May 31, 2018 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, 2018, the USAHF portfolio consisted of the following types of securities:

Equities	68.58%
Bonds and notes	29.34%
Cash & cash equivalents	<u>2.08%</u>
	<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, leasehold improvements and software

The following is a summary of equipment, leasehold improvements and software as of May 31, 2018:

Equipment	\$ 70,487
Leasehold improvements	45,370
Software	<u>529</u>
	116,386
Accumulated depreciation	<u>104,390</u>
Net	<u>\$ 11,996</u>

Note 6 – Restrictions on net assets

Substantially all of the restrictions on net assets at the end of May 31, 2018 are related to restricted donations received for the Organization's special programs or services. These temporarily restricted assets are released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donor. At May 31, 2018, the Organization had no permanently or temporarily restricted net assets.

Note 7 – Support

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

Note 8 – License Agreement

AHAI obtains office and meeting space, as well as ice time, from an ice skating facility through a license agreement which expires on June 30, 2019. 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, 2018, the required ice usage rental time was met. Future ice usage time is expected to be similar.

Note 9 – 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, 2018, the Organization had deposits in excess of federally insured limits of approximately \$460,000.

AMATEUR HOCKEY ASSOCIATION ILLINOIS, INC.

Notes to Financial Statements

Note 9 – Concentration of credit and market risk, cont'd

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.