

BLAINE YOUTH HOCKEY ASSOCIATION

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
BLAINE YOUTH HOCKEY ASSOCIATION
Blaine, Minnesota

We have audited the accompanying financial statements of Blaine Youth Hockey Association (a not-for-profit organization), which comprise the Statement of Financial Position as of March 31, 2015, and the related Statements of Activities and Changes in Net Assets, 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 of 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 aspects, the financial position of Blaine Youth Hockey Association as of March 31, 2015, 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 the United States of America.

Prior Period Financial Statements

The financial statements of Blaine Youth Hockey Association as of March 31, 2014, were audited by other auditors whose report dated November 12, 2014, expressed an unqualified opinion on those financial statements.

Respectfully submitted,

A handwritten signature in black ink that reads "Carlson Advisors, LLP". The signature is written in a cursive, flowing style.

CARLSON ADVISORS, LLP
Minneapolis, Minnesota

November 10, 2015

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

March 31, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 146,635	\$ 131,283
Cash - savings	206,126	259,338
Restricted cash - gambling fund	63,948	106,062
Accounts receivable	102,133	132,988
Less allowance for doubtful accounts	(30,000)	(30,000)
Prepaid expenses	8,674	-
Gaming inventory	-	3,312
	<u>497,516</u>	<u>602,983</u>
Total current assets		
	<u>1,258,666</u>	<u>1,371,421</u>
INVESTMENT IN ICE ARENA (NET OF AMORTIZATION)		
	<u>\$ 1,756,182</u>	<u>\$ 1,974,404</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 166,594	\$ 102,584
Accounts payable	39,317	12,502
Accrued gambling taxes	70,895	76,199
Deferred revenue	-	1,006
	<u>276,806</u>	<u>192,291</u>
Total current liabilities		
	<u>364,284</u>	<u>629,654</u>
LONG-TERM DEBT		
	<u>641,090</u>	<u>821,945</u>
Total liabilities		
NET ASSETS		
Unrestricted	1,113,365	1,120,290
Gambling funds	1,727	32,169
	<u>1,115,092</u>	<u>1,152,459</u>
Total net assets		
	<u>\$ 1,756,182</u>	<u>\$ 1,974,404</u>
Total liabilities and net assets		

See accompanying notes to financial statements.

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

For the Years Ended March 31, 2015 and 2014

	2015	2014
REVENUES		
Registrations, fees	\$ 367,026	\$ 356,832
Total revenues	367,026	356,832
OPERATING EXPENSES		
Programs, training expense, ice	670,438	571,832
Program supplies, equipment	82,364	35,116
Insurance	1,860	1,840
Legal and accounting	23,135	19,434
Donations, sponsorships	60,758	37,711
Printing and advertising	11,816	1,922
Office supplies/postage	2,991	2,419
Bank charges/cc processing	12,656	12,137
Coaching	45,695	51,752
Referees	12,984	11,170
Miscellaneous	4,059	293
Staff/purchased services	6,150	7,750
Bad debts/collections	38,804	69
Computer/internet	2,352	2,168
Meetings expense	12,882	12,226
Association assessments	47,611	42,633
Travel expenses	2,859	920
Total operating expenses	1,039,414	811,392
CHANGES IN NET ASSETS FROM OPERATIONS	(672,388)	(454,560)
OTHER REVENUE (EXPENSE)		
Donations	1,057	2,130
Sponsorship	5,065	2,000
Interest income	17,033	15,212
Special events	2,339	9,310
Gambling operations	759,516	685,658
Interest expense	(34,388)	(43,784)
Amortization of arena investment	(112,755)	(112,755)
Fundraising expense	(2,846)	(5,587)
Total other revenue (expense)	635,021	552,184
CHANGES IN NET ASSETS	(37,367)	97,624
NET ASSETS, BEGINNING OF YEAR	1,152,459	1,054,835
NET ASSETS, END OF YEAR	\$ 1,115,092	\$ 1,152,459

See accompanying notes to financial statements.

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

For the Years Ended March 31, 2015 and 2014

	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (37,367)	\$ 97,624
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	30,855	22,086
Prepaid expenses	(8,674)	3,250
Inventory	3,312	(1,165)
Increase (decrease) in:		
Accounts payable	26,815	2,908
Accrued gambling taxes	(5,304)	20,887
Deferred revenue	(1,006)	1,006
	121,386	259,351
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on long-term borrowing	(201,360)	(274,939)
	(201,360)	(274,939)
NET (DECREASE) INCREASE IN CASH	(79,974)	(15,588)
CASH - beginning	496,683	512,271
CASH - ending	\$ 416,709	\$ 496,683

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 years.

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, 2015 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, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
4.00% bond payable to Fogerty Ice Arena with monthly payments of \$5,906 including principal and interest due January 10, 2024.	\$ 419,379	\$ 467,986
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.	<u>111,499</u>	<u>264,252</u>
	530,878	732,238
Less current maturities	<u>166,594</u>	<u>102,584</u>
	<u>\$ 364,284</u>	<u>\$ 629,654</u>

Principal payments required over the next five-years under the above loans are as follows: 2016 - \$166,594; 2017 - \$57,339; 2018 - \$59,676; 2019 - \$62,107 and 2020 - \$64,637.