

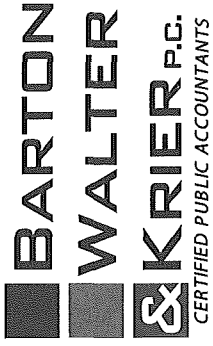
BLAINE YOUTH HOCKEY ASSOCIATION

FINANCIAL STATEMENTS

Years Ended March 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Blaine Youth Hockey Association
Blaine, Minnesota

We have audited the accompanying financial statements of Blaine Youth Hockey Association (a nonprofit organization), which comprise the statements of financial position as of March 31, 2017 and 2016, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years 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 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 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

(Continued)

(continued)

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Barton, Walter & Krive, P.C.

Maple Grove, Minnesota
September 28, 2017

BLAINE YOUTH HOCKEY ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

March 31, 2017 and 2016

ASSETS

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash | \$ 264,672 | \$ 415,492 |
| Accounts receivable, less allowance for doubtful accounts of \$10,000 and \$30,000 | 118,510 | 67,220 |
| Gaming inventory | 2,545 | 2,644 |
| Prepaid expenses | 180 | 140 |
| TOTAL CURRENT ASSETS | <u>385,907</u> | <u>485,496</u> |
| INTANGIBLE ASSET | | |
| Arena agreements, net of accumulated amortization | <u>1,033,153</u> | <u>1,145,909</u> |
| TOTAL ASSETS | <u>\$ 1,419,060</u> | <u>\$ 1,631,405</u> |

LIABILITIES AND NET ASSETS

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Current maturities of long-term debt | \$ 59,676 | \$ 57,340 |
| Accounts payable | 81,428 | 85,583 |
| Deferred revenue | 71,113 | 45,756 |
| Accrued gambling taxes | 73,050 | 87,206 |
| TOTAL CURRENT LIABILITIES | <u>285,267</u> | <u>275,885</u> |
| LONG-TERM DEBT, less current portion above | <u>247,268</u> | <u>306,944</u> |
| TOTAL LIABILITIES | 532,535 | 582,829 |
| NET ASSETS | | |
| Unrestricted net assets | <u>886,525</u> | <u>1,048,576</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,419,060</u> | <u>\$ 1,631,405</u> |

See Notes to Financial Statements

BLAINE YOUTH HOCKEY ASSOCIATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended March 31, 2017

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--------------------------------------|-------------------|---------------------------|---------------------------|-------------------|
| REVENUE AND SUPPORT | | | | |
| Charitable gambling support | \$ 810,000 | - | - | \$ 810,000 |
| Charitable gambling, net of expenses | (27,974) | - | - | (27,974) |
| Contributions | 6,410 | - | - | 6,410 |
| Interest income and late fees | 19,762 | - | - | 19,762 |
| Registration fees | 413,259 | - | - | 413,259 |
| Special events | 2,369 | - | - | 2,369 |
| Sponsorship | 7,641 | - | - | 7,641 |
| TOTAL REVENUE AND SUPPORT | 1,231,467 | - | - | 1,231,467 |
| EXPENSES | | | | |
| Program services - operations | 1,254,336 | - | - | 1,254,336 |
| Fundraising | 2,060 | - | - | 2,060 |
| Management and general | 137,122 | - | - | 137,122 |
| TOTAL EXPENSES | 1,393,518 | - | - | 1,393,518 |
| CHANGE IN NET ASSETS | (162,051) | - | - | (162,051) |
| NET ASSETS, beginning of year | 1,048,576 | - | - | 1,048,576 |
| NET ASSETS, end of year | \$ 886,525 | \$ - | \$ - | \$ 886,525 |

See Notes to Financial Statements

BLAINE YOUTH HOCKEY ASSOCIATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended March 31, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| REVENUE AND SUPPORT | | | | |
| Charitable gambling support | \$ 800,000 | \$ - | \$ - | \$ 800,000 |
| Charitable gambling, net of expenses | 15,507 | - | - | 15,507 |
| Donations | 4,156 | - | - | 4,156 |
| Interest income | 16,477 | - | - | 16,477 |
| Registration fees | 384,215 | - | - | 384,215 |
| Special events | 7,214 | - | - | 7,214 |
| Sponsorship | 1,000 | - | - | 1,000 |
| TOTAL REVENUE AND SUPPORT | <u>1,228,569</u> | <u>-</u> | <u>-</u> | <u>1,228,569</u> |
| EXPENSES | | | | |
| Program services - operations | 1,164,463 | - | - | 1,164,463 |
| Fundraising | 4,173 | - | - | 4,173 |
| Management and general | 128,466 | - | - | 128,466 |
| TOTAL EXPENSES | <u>1,297,102</u> | <u>-</u> | <u>-</u> | <u>1,297,102</u> |
| CHANGE IN NET ASSETS | <u>(68,533)</u> | <u>-</u> | <u>-</u> | <u>(68,533)</u> |
| NET ASSETS, beginning of year | <u>1,117,109</u> | <u>-</u> | <u>-</u> | <u>1,117,109</u> |
| NET ASSETS, end of year | <u>\$ 1,048,576</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,048,576</u> |

See Notes to Financial Statements

BLAINE YOUTH HOCKEY ASSOCIATION

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended March 31, 2017

| | <u>Program Services - Operations</u> | <u>Fundraising</u> | <u>Management and General</u> | <u>Total</u> |
|----------------------------|--|--------------------|-----------------------------------|---------------------|
| Advertising and promotion | \$ - | \$ - | \$ 26,914 | \$ 26,914 |
| Amortization | 112,756 | - | - | 112,756 |
| Association assessments | 52,242 | - | - | 52,242 |
| Awards and trophies | 16,529 | - | - | 16,529 |
| Bad debts | - | - | 9,722 | 9,722 |
| Bank charges | - | - | 16,007 | 16,007 |
| Board of directors | 1,250 | - | - | 1,250 |
| Coaching staff | 93,790 | - | - | 93,790 |
| Computer expense | - | - | 4,142 | 4,142 |
| Donations and sponsorships | 89,225 | - | - | 89,225 |
| Equipment and supplies | 149,148 | - | - | 149,148 |
| Fundraising supplies | - | 2,060 | - | 2,060 |
| Ice rental and arena costs | 514,569 | - | - | 514,569 |
| Insurance | 1,912 | - | - | 1,912 |
| Interest expense | - | - | 13,528 | 13,528 |
| Meetings and events | - | - | 27,817 | 27,817 |
| Miscellaneous | - | - | 4,956 | 4,956 |
| Office supplies | - | - | 4,372 | 4,372 |
| Professional fees | - | - | 29,664 | 29,664 |
| Referees | 16,331 | - | - | 16,331 |
| Registration fees | 119,298 | - | - | 119,298 |
| Skill development | 81,294 | - | - | 81,294 |
| Travel | 5,992 | - | - | 5,992 |
| TOTAL EXPENSES | <u>\$ 1,254,336</u> | <u>\$ 2,060</u> | <u>\$ 137,122</u> | <u>\$ 1,393,518</u> |

See Notes to Financial Statements

BLAINE YOUTH HOCKEY ASSOCIATION

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended March 31, 2016

| | <u>Program Services - Operations</u> | <u>Fundraising</u> | <u>Management and General</u> | <u>Total</u> |
|----------------------------|--|--------------------|-----------------------------------|---------------------|
| Advertising and promotion | \$ - | \$ - | \$ 9,413 | \$ 9,413 |
| Amortization | 112,757 | - | - | 112,757 |
| Association assessments | 49,950 | - | - | 49,950 |
| Awards and trophies | 10,966 | - | - | 10,966 |
| Bad debts | - | - | 16,532 | 16,532 |
| Bank charges | - | - | 16,422 | 16,422 |
| Coaching staff | 81,949 | - | - | 81,949 |
| Computer expense | - | - | 7,044 | 7,044 |
| Donations and sponsorships | 70,424 | - | - | 70,424 |
| Equipment and supplies | 91,621 | - | - | 91,621 |
| Fundraising | - | 4,173 | - | 4,173 |
| Ice rental and arena costs | 531,460 | - | - | 531,460 |
| Insurance | 1,872 | - | - | 1,872 |
| Interest expense | - | - | 18,545 | 18,545 |
| Meetings and events | - | - | 23,295 | 23,295 |
| Miscellaneous | - | - | 9,057 | 9,057 |
| Office supplies | - | - | 8,279 | 8,279 |
| Professional fees | - | - | 19,879 | 19,879 |
| Referees | 11,688 | - | - | 11,688 |
| Registration fees | 114,031 | - | - | 114,031 |
| Skill development | 85,059 | - | - | 85,059 |
| Travel | <u>2,686</u> | <u>-</u> | <u>-</u> | <u>2,686</u> |
| TOTAL EXPENSES | <u>\$ 1,164,463</u> | <u>\$ 4,173</u> | <u>\$ 128,466</u> | <u>\$ 1,297,102</u> |

See Notes to Financial Statements

BLAINE YOUTH HOCKEY ASSOCIATION

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (162,051) | \$ (68,533) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Amortization | 112,756 | 112,757 |
| Changes in operating assets and liabilities which increase or decrease cash: | | |
| Accounts receivable | (51,290) | 4,913 |
| Gaming inventory | 99 | (627) |
| Prepaid expenses | (40) | 8,534 |
| Accounts payable | (4,155) | 85,583 |
| Deferred revenue | 25,357 | 6,439 |
| Accrued gambling taxes | <u>(14,156)</u> | <u>16,311</u> |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u>(93,480)</u> | <u>165,377</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of long-term debt | <u>(57,340)</u> | <u>(166,594)</u> |
| NET DECREASE IN CASH | <u>(150,820)</u> | <u>(1,217)</u> |
| CASH, BEGINNING OF YEAR | <u>415,492</u> | <u>416,709</u> |
| CASH, END OF YEAR | <u>\$ 264,672</u> | <u>\$ 415,492</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the year for interest | <u>\$ 13,528</u> | <u>\$ 18,545</u> |

See Notes to Financial Statements

BLAINE YOUTH HOCKEY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Activities - Blaine Youth Hockey Association (the Organization) was formed in 1988 as a nonprofit corporation under the laws of the State of Minnesota. The Organization was formed to provide youth hockey training, instruction, team and tournament participation for youth in the City of Blaine and its neighboring communities. The Organization also supports its charitable gambling operation.

All transactions between the Organization and its charitable gambling operation have been eliminated.

Financial Statement Presentation - The Organization reports information regarding its financial position and activities according to three classes of net assets based on donor imposed restrictions as follows:

Unrestricted - Resources over which the Board of Directors has discretionary control. Designated amounts, if any, represent those net assets which the Board has set aside for a specific purpose.

Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted - Those resources subject to a donor imposed restriction to be maintained permanently by the Organization. The donors of these resources permit use of the income earned, including capital appreciation, for unrestricted or temporarily restricted purposes.

Revenues and support are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions or other stipulations. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets, by the Organization fulfilling the donor stipulations or by the passage of the specified time period, are reported as net assets released from restriction.

The Organization did not have any temporarily or permanently restricted net assets at March 31 2017 or 2016.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis.

Use of 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 the reported amounts of assets and liabilities and 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.

(Continued)

BLAINE YOUTH HOCKEY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash - Cash includes cash on hand and bank demand deposit accounts.

Accounts Receivable - Accounts receivable, primarily for registration fees, are stated at the amount management expects to collect from balances outstanding at year end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the credit history with clients having outstanding balances and current relationships with them. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable

Inventory - Inventory of gambling materials is valued at cost.

Intangible Assets - Intangible assets consist of arena agreements. The agreements are amortized on the straight-line basis over the estimated useful lives.

Long-lived Assets - The Organization periodically evaluates the carrying value of long-lived assets to be held and used, including but not limited to, capital assets and intangible assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flow discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost to dispose. No losses from impairment have been recognized in the financial statements.

Revenue and Deferred Revenue - Revenue consists primarily of registration fees and proceeds from charitable gambling operations and is recognized in the period the event or hockey season activity occurs. Fees received in advance for activities that have not yet occurred are recorded as deferred revenue.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. The Organization recognizes donor-restricted contributions as unrestricted support when the restrictions are met in the same reporting period.

Income Taxes - The Organization is exempt from income taxes under section 501(c)(3) of the internal Revenue Code and comparable state regulations, and is classified as other than a private foundation. However, the Organization is required to pay state and federal income taxes on unrelated business income. At March 31, 2017, the Organization had net operating loss carryforwards available to reduce future unrelated business income of approximately \$246,000, which expire from 2022 to 2037.

The Organization is subject to routine audits by taxing jurisdictions, generally for three years after the return is filed, however, there are currently no audits for any tax periods in progress.

(Continued)

BLAINE YOUTH HOCKEY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of Functional Expenses - Certain expenses are allocated among functions based on direct expenditures incurred. Expenses which are not directly identifiable by program or supporting service are allocated based on time spent in activities and the best estimate of management

Donated services and materials - The Organization receives donated services from a variety of unpaid volunteers assisting with programs and management of the Organization. No amounts have been recognized in the accompanying statement of activities for volunteer efforts, as the criteria for recognition has not been met

Advertising - The Organization expenses advertising costs as incurred.

(2) INTANGIBLE ASSETS

Intangible assets consist of the following arena agreements at March 31:

| | Useful Life in Months | 2017 | 2016 |
|--------------------------|--------------------------|--------------|--------------|
| Cost | | | |
| Centennial Sports Arena | Indefinite | \$ 300,000 | \$ 300,000 |
| Fogerty Ice Arena | 240 | 1,366,106 | 1,366,106 |
| Fogerty Dryland Facility | 240 | 111,000 | 111,000 |
| National Sports Center | 240 | 778,000 | 778,000 |
| Accumulated amortization | | 2,555,106 | 2,555,106 |
| Net arena agreements | | (1,521,953) | (1,409,197) |
| | | \$ 1,033,153 | \$ 1,145,909 |

Amortization expense was \$112,756 and \$112,757 for the years ended March 31, 2017 and 2016. Future amortization for each of the next five years is expected to be \$112,800

(Continued)

BLAINE YOUTH HOCKEY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(2) INTANGIBLE ASSETS (continued)

Detail of the arena agreements are

Centennial Sports Arena - In exchange for providing \$300,000 to the Centennial School District to assist in the construction of the Centennial Sports Arena, the Organization receives at least 26% of prime ice time per year, as long as the arena is used for ice skating. 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.

Fogerty Ice Arena - In the year ended March 31, 2001, the Organization agreed to contribute \$299,500 (50% of the down payment and debt service) related to the acquisition and construction of an additional sheet of ice at Fogerty Ice Arena (Fogerty). The Organization also entered into an agreement for the payment of two debt agreements totaling \$1,066,606 to finance locker rooms, storage areas, and primary area construction. In exchange for the above payments, the Organization has an option to purchase 60% of the available ice time at Fogerty. Long-term debt at March 31, 2017 and 2016 (Note 3), represents the remaining balance of the Organization's payments due under these agreements.

Fogerty Dryland Facility - The Organization acquired the option to use 60% of total available time, both prime and non-prime, of a dryland training facility in exchange for providing 60% of the capital cost for the acquisition and construction of the facility.

National Sports Center - The Organization acquired the opportunity to purchase prime ice time in exchange for providing \$778,000 of the capital cost for the acquisition and construction of an additional sheet of ice at the Sports Center.

There are no provisions in the above agreements requiring return of funds provided if the arenas cease being used as ice arenas or as a dryland facility.

(3) LONG-TERM DEBT

Long-term debt consists of the following at March 31

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Note payable to Fogerty Ice Arena in monthly payments of \$5,906, including interest at 4% through December 2021. | \$ 306,944 | \$ 364,284 |
| Less current maturities | 59,676 | 57,340 |
| | \$ 247,268 | \$ 306,944 |

(Continued)

BLAINE YOUTH HOCKEY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(3) LONG-TERM DEBT (continued)

Maturities of long-term debt are as follows during the years ending March 31

| | |
|------|-------------------|
| 2018 | \$ 59,676 |
| 2019 | 62,100 |
| 2020 | 64,600 |
| 2021 | 67,300 |
| 2022 | <u>53,268</u> |
| | <u>\$ 306,944</u> |

(4) COMMITMENTS AND LEASE OBLIGATIONS

The Organization leases space for the sites of its lawful gambling pull-tab booths within the City of Blaine and surrounding communities. The Organization had four sites at March 31, 2017 and five sites at March 31, 2016. Total monthly rent under the pull-tab leases at March 31, 2017 and March 31, 2016, cannot exceed \$7,000 and \$8,750, respectively. The leases for the gambling sites run concurrently with the perpetual premise permits and can be terminated by either party with a thirty day notice. Rent expense was \$68,371 and \$69,298 for the years ended March 31, 2017 and 2016 and is included as part of charitable gambling revenue, net of expenses on the statements of activities.

(5) CONCENTRATIONS

Cash Balance - The Organization maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash.

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

BLAINE YOUTH HOCKEY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(6) LAWFUL GAMBLING FUND

The Organization conducts lawful gambling operations, consisting of pull tab, paddletickets, bingo, tipboards, and raffle operations, to provide funding for its charitable activities. Summarized financial information for the gambling operations as of and for the years ended March 31 consists of

| Statement of financial position | 2017 | 2016 |
|--|--------------------------|-------------------------|
| Cash | \$ 61,603 | \$ 103,673 |
| Inventory | 2,545 | 2,644 |
| Prepaid expenses | 180 | 140 |
| Accrued gambling taxes | <u>(73,050)</u> | <u>(87,206)</u> |
| UNRESTRICTED NET ASSETS | \$ <u>(8,722)</u> | \$ <u>19,251</u> |

Statement of activities

| | | |
|---|---------------------------|-------------------------|
| Revenues | \$ 14,473,610 | \$ 14,031,959 |
| Cost of revenues | <u>(12,168,720)</u> | <u>(11,727,671)</u> |
| Gross profit | 2,304,890 | 2,304,288 |
| Allowable expenses | (631,318) | (604,444) |
| Lawful purpose expenditures | <u>(1,701,546)</u> | <u>(1,684,337)</u> |
| Income (loss) from charitable gambling operations | \$ <u>(27,974)</u> | \$ <u>15,507</u> |

Lawful purpose expenditures of the gambling operations include \$810,000 and \$800,000 of expense that is recorded as charitable gambling support on the statement of activities of the Organization for the years ended March 31, 2017 and 2016

(7) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 28, 2017, the date the financial statements were available to be issued. No material events or transactions occurred during this period which would render these financial statements misleading.