

**BLAINE YOUTH HOCKEY ASSOCIATION
A NOT FOR PROFIT CORPORATION
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
For the Years Ended March 31, 2022 and 2021**

CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-12
Supplementary Information	
Independent Auditor's Report on Supplementary Information	13
Schedules of Lawful Gaming Activities	14



LANDON C. SCOTT, PLLC
CERTIFIED PUBLIC ACCOUNTANTS|ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Blaine Youth Hockey Association
Blaine, Minnesota

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Blaine Youth Hockey Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Blaine Youth Hockey Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Blaine Youth Hockey Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Blaine Youth Hockey Association's ability to continue as a going concern for a reasonable period of time.

Known Departure from Accounting Principles Generally Accepted in the United States of America

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The lawful gambling operations are incorporated into the financial statements as designated activities and are prepared on the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Gandon C. Scott, PLLC

November 28, 2022
Lake Elmo, Minnesota

BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,688,646	\$ 1,127,266
Prepaid Expenses	2,974	10,480
Total Current Assets	1,691,620	1,137,746
NON-CURRENT ASSETS		
Arena Agreements		
Arena Agreements	2,555,106	2,555,106
Accumulated Amortization	(2,114,362)	(1,986,667)
Total Arena Agreements	440,744	568,439
TOTAL ASSETS	\$ 2,132,364	\$ 1,706,185
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Account Payable	\$ 108,595	\$ 21,449
Deferred Revenue	16,068	14,045
Note Payable - PPP Loan	-	74,946
Total Current Liabilities	124,663	110,440
TOTAL LIABILITIES	124,663	110,440
NET ASSETS		
Without Donor Restrictions	2,007,701	1,595,745
TOTAL LIABILITIES AND NET ASSETS	\$ 2,132,364	\$ 1,706,185

BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF ACTIVITIES
For the Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
SUPPORT AND REVENUE		
Registration Fees	\$ 650,526	\$ 565,223
Contributions	80,367	33,136
PPP Loan Forgiveness	74,946	74,945
Total Support and Revenue	<u>805,839</u>	<u>673,304</u>
 OTHER REVENUE		
Exchange Transactions		
Gross Gaming Revenue	25,324,957	13,319,489
Less: Cost of Gaming Revenue	<u>(24,229,657)</u>	<u>(12,668,326)</u>
Net Gaming Revenue	1,095,300	651,163
 Fundraising Income, Net of Expenses	5,681	4,353
Other Income	406	-
Interest Income	4,962	3,689
Total Other Revenue	<u>1,106,349</u>	<u>659,205</u>
 Total Support, Revenue, and other revenue	<u>1,912,188</u>	<u>1,332,509</u>
 EXPENSES		
Program Services		
Hockey Activities	1,419,669	961,794
Support Services:		
Management and General	80,563	52,889
Total Support Services	<u>80,563</u>	<u>52,889</u>
 Total Expenses	<u>1,500,232</u>	<u>1,014,683</u>
 CHANGE IN NET ASSETS	411,956	317,826
 Net Assets - Beginning of Year	<u>1,595,745</u>	<u>1,277,919</u>
 NET ASSETS - END OF YEAR	<u>\$ 2,007,701</u>	<u>\$ 1,595,745</u>

BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended March 31, 2022 and 2021

	2022			2021		
	Program Activities	Management and General	Total	Program Activities	Management and General	Total
Accounting Fees	\$ -	\$ 6,025	\$ 6,025	\$ -	\$ 6,424	\$ 6,424
Advertising	-	13,509	13,509	-	5,240	5,240
Amortization	127,695	-	127,695	126,449	-	126,449
Association Assessments	13,350	-	13,350	14,970	-	14,970
Awards and Apparel	13,060	-	13,060	12,180	-	12,180
Bad Debts (Recoveries)	-	-	-	-	(6,440)	(6,440)
Bank and Transaction Fees	-	16,276	16,276	-	17,809	17,809
Board Fees	-	22,750	22,750	-	22,500	22,500
Coaches Expense	130,251	-	130,251	110,406	-	110,406
Computer and Website Expense	-	9,733	9,733	-	3,537	3,537
Concussion Testing	1,485	-	1,485	145	-	145
Donations	92,684	-	92,684	17,023	-	17,023
Equipment, Supplies and Uniforms	157,275	-	157,275	65,424	-	65,424
Ice Rental and Arena Costs	535,045	-	535,045	412,543	-	412,543
Meetings and Events	-	10,286	10,286	-	3,249	3,249
Office Expense	-	1,984	1,984	-	570	570
Officials, Referees and Evaluators	40,521	-	40,521	26,103	-	26,103
Tournaments	132,946	-	132,946	61,951	-	61,951
Training and Development	153,071	-	153,071	76,381	-	76,381
Tryout Expenses	22,286	-	22,286	38,219	-	38,219
Total Functional Expenses	\$ 1,419,669	\$ 80,563	\$ 1,500,232	\$ 961,794	\$ 52,889	\$ 1,014,683

BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 411,956	\$ 317,826
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities:		
Amortization	127,695	126,449
(Increase) Decrease In Current Assets:		
Accounts Receivable	-	3,850
Prepaid Expenses	7,506	(4,007)
Increase (Decrease) In Current Liabilities:		
Accounts Payable	87,146	14,971
Deferred Revenue	2,023	14,045
Note Payable - PPP Loan	(74,946)	74,946
Net Cash Provided (Used) By Operating Activities	561,380	548,080
INCREASE (DECREASE) IN CASH	561,380	548,080
Cash- Beginning	1,127,266	579,186
CASH- ENDING	\$ 1,688,646	\$ 1,127,266

**BLAINE YOUTH HOCKEY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. NATURE OF ORGANIZATION

Blaine Youth Hockey Association (the Association) is a 501(c)(3) not-for-profit organization. The Association provides hockey training, instruction, team and tournament participation for youth in the City of Blaine and its neighboring communities.

The Association conducts lawful gaming operations, which are sanctioned by the State of Minnesota. In order to conduct lawful gaming operations, the Association is required to fulfill certain conditions as set forth in Minnesota law and rules covering lawful gaming. State law requires that the gaming proceeds be used only for lawful purpose expenditures, as defined in Minnesota Statute 349, and places certain restrictions on the amount and type of operating expenses that can be paid for with such funds.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association's financial statements are prepared in accordance with U.S. generally accepted accounting principles, except for the Association's lawful gambling operations which are prepared on the regulatory basis of accounting.

The regulatory basis of accounting is the basis of accounting prescribed by the State of Minnesota Statute 349, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). The regulatory basis of accounting differs from the accrual method of accounting in that under the regulatory method, substantially all costs are expensed when paid.

The significant accounting policies followed are described below.

- a. Classes of Net Assets** - The financial statements report amounts separately by class of net assets:
- Net assets without donor restrictions are those currently available at the discretion of the board of directors for use in the Association's programs and support.
 - Net assets with restrictions are those which are restricted by donors either temporarily or in perpetuity. Net assets with temporary restrictions are restricted by the donor for specific operating purposes or for the acquisition of land, building and equipment. Net assets with restrictions in perpetuity are those restricted by donors as endowments or irrevocable trusts. The Association has no net assets with restrictions in perpetuity.

**BLAINE YOUTH HOCKEY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

- b. Revenue and Expense Recognition** - Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire during the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.
- c. Revenue Recognition in Accordance with FASB ASC 606** - The Association enters into contracts with its hockey players to provide amateur ice hockey programs. The contract amounts are determined annually through a budgeting process. The annual contracts – registration fees – require payment in advance of the beginning of the season. The revenue from these contracts is earned over time and is fully earned by March 31.
- d. Arena Agreements** – The Association purchased priority rights to ice time at various arenas. The agreements are being amortized on a straight-line basis over the estimated useful lives.
- e. Income Taxes** - The Internal Revenue Service has recognized the Association as tax exempt under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. It has been classified as an Association that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

The Association conducts lawful gaming under Minnesota’s lawful gaming statutes. Lawful gaming operations may be subject to Federal and State income tax as an unrelated business activity.

- f. Accounts Receivable** - Accounts and loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. 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 trade accounts receivable or loans receivable. There was no allowance for doubtful accounts for the years ended March 31, 2022 and 2021.
- g. Functional Allocation of Expense** - Expenses which are not directly identifiable by program or support service are allocated based on the best estimates of management.

**BLAINE YOUTH HOCKEY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

- h. Cash and Cash Equivalents** - The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Association maintains its cash balances in various bank accounts that, at times, may exceed federally insured limits. The Association's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Association has not experienced, nor does it anticipate, any losses with respect to such accounts.
- i. Gaming Revenue Recognition** - Revenue from pulltab, paddlewheel, tipboard, bingo and raffle games is recognized once the game is completed and reported to state authorities on the monthly lawful gambling tax return. Prizes paid out are expensed when gross revenue is recognized for each game.
- j. Use of Estimates** - The preparation of financial statements in conformity with the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.
- k. Advertising Costs** - Advertising costs are expensed as incurred. Advertising costs for the years ended March 31, 2022 and 2021 were \$13,509 and \$5,240, respectively.
- l. Liquidity and Availability of Financial Assets** – At March 31, 2022, the Association has \$1,566,957 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$1,688,646, and other current assets of \$2,974 less current liabilities of \$124,663. The Association has no net assets with donor restrictions.

The Association is primarily supported by registration fees and proceeds from the lawful gambling operation. The Association does not typically receive contributions with donor restrictions. In the event of such a donation, the Association would be required to maintain sufficient resources to meet those responsibilities to its donors. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

- m. Measure of Operation** – The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Association's ongoing activities. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature. During the years ended March 31, 2022 and 2021, the Association did not have any nonoperating activities.

**BLAINE YOUTH HOCKEY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

- n. Recent Accounting Pronouncements** - The Association adopted ASC Topic 606 *Revenue from Contracts with Customers* on April 1, 2020. The Association analyzed the provisions of this standard and concluded that no changes were necessary to beginning net assets.
- o. Subsequent Events** - The Association performed an evaluation of subsequent events from March 31, 2022 through November 28, 2022, which is the date the financial statements were available to be issued.

NOTE 3. EXCHANGE TRANSACTIONS

The Association holds a charitable gambling license and conducts lawful gaming operations. The use of the proceeds from these activities is limited by state and local regulations but can be used to promote the Association's mission.

NOTE 4. ARENA AGREEMENTS

Details of the arena agreement are as follows:

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 Association receives at least 26% of prime ice time per year, as long as the arena is used for skating. During the year ended March 31, 2021, the Association amended its agreement with Centennial adding an end date of June 30, 2040.

Fogerty Ice Arena - In the year ended March 31, 2001, the Association 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 Association 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 Association has an option to purchase 60% of the available ice time at Fogerty.

Fogerty Dryland Facility - The Association acquired the option to use 60% of total available time, both prime and non-prime, of the dryland training facility in exchange for providing 60% of the capital cost of the acquisition and construction of the facility. The total provided by the Association was \$111,000.

National Sports Center - The Association 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 agreement requiring return of funds provided if the arenas cease being used as ice arena or as a dryland facility.

**BLAINE YOUTH HOCKEY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. ARENA AGREEMENTS – (Continued)

Arena agreements consist of the following at March 31, 2022 and 2021:

	Useful Life in Months	2022	2021
Cost			
Centennial Sports Arena	241	\$ 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
		<u>2,555,106</u>	<u>2,555,106</u>
Accumulated Amortization		<u>(2,114,362)</u>	<u>(1,986,667)</u>
Net Arena Agreements		<u>\$ 440,744</u>	<u>\$ 568,439</u>

Amortization expense for the next five years is as follows:

Year ending March 31:	
2023	\$ 59,388
2024	59,388
2025	56,613
2026	53,738
2027	14,938
Thereafter	<u>196,679</u>
	<u>\$ 440,744</u>

NOTE 5. NOTE PAYABLE – PPP LOAN

The Association received two Payroll Protection Program (PPP) Loans through the Small Business Administration during the year ended March 31, 2021. The first loan in the amount of \$74,945 was received May 13, 2020 and was fully forgiven on March 2, 2021 and was reported on the statement of activities as loan forgiveness during fiscal 2021. The second loan in the amount of \$74,946 was received February 24, 2021 and was forgiven on January 10, 2022 and is reported on the statement of activities as loan forgiveness during fiscal 2022.

**BLAINE YOUTH HOCKEY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6. INCOME TAXES

The Association is required to pay Federal and State of Minnesota income taxes on unrelated business income. Under the regulatory basis of accounting, income taxes are expensed when paid. The Association paid Federal and State income tax in the amount of \$0 and \$2,944 for the year ended March 31, 2022, respectively. The Association paid Federal and State income tax in the amount of \$0 and \$306 for the year ended March 31, 2021, respectively. At March 31, 2022, the Association had net operating loss carry forwards available to reduce future unrelated business income taxes of approximately \$70,000 and 90,000 for Federal and State, respectively, which a portion of the State carryover will expire annually.

The Association has not been audited by the Internal Revenue Service, and accordingly, the unrelated business income tax returns for the three and one-half years are open to examination.

The Association was audited by the Minnesota Revenue during the year ended March 31, 2021. No significant issues were discovered.

NOTE 7. COMMITMENTS

The Association leases spaces for its lawful gambling operations. The bar operated lease payments are based upon 20% of the prior month's net profits from paper pull tabs, tipboards and paddletickets and 15% of the prior month's net profits from electronic gaming with no cap. The booth operated lease payments are based upon 10% of the prior month's net profits from paper pull tabs, tipboards, sports tipboards and paddletickets with a cap of \$1,750 and 15% of prior month's net profits from electronic pull tabs with no cap. Rent expense for the years ended March 31, 2022 and 2021 was \$209,089 and \$111,764, respectively. The lease terms are concurrent with the Association's perpetual premise permit.

The Association entered into participation agreements with four arenas. The agreement with National Sports Center Super Rink is to rent prime ice time for 20 years. The Centennial Sports Arena agreement is to rent at least 26% of prime ice time per year through 2040. The Fogerty Ice Arena and Fogerty Dryland Facility agreements are to rent 60% of ice time for an indefinite time period. Total ice rental expense for the years ended March 31, 2022 and 2021 was \$535,045 and \$412,543, respectively.



LANDON C. SCOTT, PLLC
CERTIFIED PUBLIC ACCOUNTANTS|ADVISORS

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Blaine Youth Hockey Association
Blaine, Minnesota

We have audited the financial statements of the Blaine Youth Hockey Association as of and for the years ended March 31, 2022 and 2021, and have issued our report thereon dated November 28, 2022, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of lawful gaming activities is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Landon C. Scott, PLLC

November 28, 2022
Lake Elmo, Minnesota

BLAINE YOUTH HOCKEY ASSOCIATION
SCHEDULES OF LAWFUL GAMING ACTIVITIES
For the Years Ended March 31, 2022 and 2021

	2022	2021
GAMING REVENUE	\$ 25,324,957	\$ 13,319,489
COSTS AND OPERATING EXPENSES		
Prizes Paid	21,696,997	11,350,362
Cost of Games	185,197	92,040
Taxes and Licenses	1,387,645	684,452
Compensation and Payroll Taxes	300,297	193,616
Penalties and Interest	375	27
Professional Fees	19,227	17,337
Bank Charges, Office and Miscellaneous	27,456	31,543
Electronic Gaming Provider Fees	394,501	176,818
Rent	209,089	111,764
Insurance and Permits	120	120
Cash Short	850	2,515
Cash Shortage Reimbursements	(120)	(802)
Donations	8,023	8,534
	24,229,657	12,668,326
 NET GAMING REVENUE	 \$ 1,095,300	 \$ 651,163