

**BLAINE YOUTH HOCKEY ASSOCIATION  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
For the Years Ended March 31, 2019 and 2018**

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**LANDON C. SCOTT, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS|ADVISORS

## **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 non-profit organization), which comprise the statement of financial position as of March 31, 2019, and the related statements of activities, 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 combined 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 risk 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 for 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 Blaine Youth Hockey Association as of March 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.

### **Other Matter**

The financial statements of Blaine Youth Hockey Association as of March 31, 2018, and for the year then ended were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated January 15, 2019.

*Jandon C. Scott PHC*

October 10, 2019  
Lake Elmo, Minnesota

**BLAINE YOUTH HOCKEY ASSOCIATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**March 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 568,703	\$ 294,449
Accounts Receivable	14,590	35,203
Prepaid Expenses	6,822	-
Deferred Fund Loss	-	5,643
Total Current Assets	590,115	335,295
<b>NON-CURRENT ASSETS</b>		
Arena Agreements		
Arena Agreements	2,555,106	2,555,106
Accumulated Amortization	(1,747,463)	(1,634,708)
Total Arena Agreements	807,643	920,398
<b>TOTAL ASSETS</b>	<b>\$ 1,397,758</b>	<b>\$ 1,255,693</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Account Payable	\$ 9,579	\$ 12,220
Deferred Revenue	12,075	17,688
Accrued Gambling Taxes	84,707	82,493
Current Portion of Long-Term Debt	64,637	62,107
Total Current Liabilities	170,998	174,508
<b>NON-CURRENT LIABILITIES</b>		
Long-Term Debt, Less Current Maturities	118,056	185,161
Total Non-Current Liabilities	118,056	185,161
<b>TOTAL LIABILITIES</b>	289,054	359,669
<b>NET ASSETS</b>		
Without Donor Restrictions	1,108,704	896,024
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,397,758</b>	<b>\$ 1,255,693</b>

**BLAINE YOUTH HOCKEY ASSOCIATION**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended March 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>SUPPORT AND REVENUE</b>		
Registration Fees	\$ 581,775	\$ 469,526
Contributions	23,676	28,703
Total Support and Revenue	605,451	498,229
 <b>OTHER REVENUE</b>		
Exchange Transactions		
Gross Gaming Revenue	16,067,165	14,236,919
Less: Cost of Gaming Revenue	(15,226,762)	(13,503,394)
Net Gaming Revenue	840,403	733,525
Fundraising Income, Net of Expenses	7,074	19
Other Income	1,964	7,075
Interest Income	2,865	324
Total Other Revenue	852,306	740,943
Total Support, Revenue, and other revenue	1,457,757	1,239,172
 <b>EXPENSES</b>		
Program Services		
Hockey Activities	1,165,098	1,126,012
Support Services:		
Management and General	79,979	103,661
Total Support Services	79,979	103,661
Total Expenses	1,245,077	1,229,673
 <b>CHANGE IN NET ASSETS</b>	212,680	9,499
Net Assets - Beginning of Year	896,024	886,525
 <b>NET ASSETS - END OF YEAR</b>	\$ 1,108,704	\$ 896,024

**BLAINE YOUTH HOCKEY ASSOCIATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended March 31, 2019 and 2018**

	2019		2018			
	Program Activities	Management and General	Total	Program Activities	Management and General	Total
Accounting Fees	\$ -	\$ 11,025	\$ 11,025	\$ -	\$ 22,055	\$ 22,055
Advertising	-	10,928	10,928	-	4,598	4,598
Amortization	112,755	-	112,755	112,755	-	112,755
Association Assessments	52,999	-	52,999	44,046	-	44,046
Awards and Trophies	12,891	-	12,891	13,631	-	13,631
Bad Debts	-	1,898	1,898	-	5,504	5,504
Bank and Credit Card Fees	-	411	411	-	4,674	4,674
Board Fees	-	22,500	22,500	-	22,675	22,675
Coaches Expense	126,766	-	126,766	126,176	-	126,176
Computer Expense	-	4,786	4,786	-	8,596	8,596
Concussion Testing	1,015	-	1,015	-	-	-
Donations	102,163	-	102,163	71,547	-	71,547
Equipment, Supplies and Uniforms	102,773	-	102,773	87,787	-	87,787
Ice Rental and Arena Costs	416,656	-	416,656	437,346	-	437,346
Insurance	2,132	-	2,132	2,116	-	2,116
Interest Expense	-	6,292	6,292	-	11,192	11,192
Meetings and Events	-	21,454	21,454	-	22,873	22,873
Office Expense	-	685	685	-	1,494	1,494
Officials, Referees and Evaluators	15,762	-	15,762	12,730	-	12,730
Tournaments	122,941	-	122,941	111,808	-	111,808
Training and Development	96,245	-	96,245	106,070	-	106,070
<b>Total Functional Expenses</b>	<b>\$ 1,165,098</b>	<b>\$ 79,979</b>	<b>\$ 1,245,077</b>	<b>\$ 1,126,012</b>	<b>\$ 103,661</b>	<b>\$ 1,229,673</b>

**BLAINE YOUTH HOCKEY ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended March 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 212,680	\$ 9,499
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities:		
Amortization	112,755	112,755
(Increase) Decrease In Current Assets:		
Accounts Receivable	20,613	83,307
Prepaid Expenses	(6,822)	180
Inventory	-	2,545
Deferred Fund Loss	5,643	(5,643)
Increase (Decrease) In Current Liabilities:		
Accounts Payable	(2,641)	(69,208)
Accrued Gambling Taxes	2,214	9,443
Deferred Revenue	(5,613)	(53,425)
Net Cash Provided (Used) By Operating Activities	338,829	89,453
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Debt Obligations	(64,575)	(59,676)
Net Cash Provided (Used) by Financing Activities	(64,575)	(59,676)
<b>INCREASE (DECREASE) IN CASH</b>	274,254	29,777
Cash- Beginning	294,449	264,672
<b>CASH- ENDING</b>	\$ 568,703	\$ 294,449
 <b>SUPPLEMENTAL DISCLOSURES</b>		
Interest Paid	\$ 6,292	\$ 11,192

**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 youth hockey training, instruction, team and tournament participation for youth in the City of Blaine and its neighboring communities.

The Association operates 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 financial statements have been prepared on the accrual basis of accounting. 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 temporarily 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.
- 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. **Arena Agreements** - The Association purchased priority rights to ice time arenas. The agreements are being amortized on a straight-line basis over the estimated useful lives.

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

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)**

- d. 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.

- e. 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 year ended March 31, 2019 and 2018.
- f. Functional Allocation of Expense** - Expenses which are not directly identifiable by program or support service are allocated based on the best estimates of management.
- g. 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.
- h. 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.
- i. 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.

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

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)**

- j. Advertising Costs** - Advertising costs are expensed as incurred. Advertising costs for the years ended March 31, 2019 and 2018, were \$10,928 and \$4,598 for the organization and \$14,742 and \$15,211 for the gaming activities, respectively.
- k. Liquidity and Availability of Financial Assets** - The Association has \$419,117 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 \$568,703, and other current assets of \$21,412 less current liabilities of \$170,998. 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.

- l. Recent Accounting Pronouncements** - On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Association has adjusted the presentation of its financial statements, accordingly, applying the changes retrospectively to the comparative period presented. The new standards changed the following aspects of the Association's financial statements:
- The unrestricted net asset class has been renamed net assets without donor restrictions.
  - The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. The Association does not have net assets with donor restrictions.
  - The financial statements include a new disclosure about liquidity and availability of resources (Note 2, k.).
- m. Subsequent Events** - The Association recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including estimates inherent in the process of preparing financial statements. Subsequent events were evaluated through October 10, 2019, which is the date the financial statements were available to be issued.

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

**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. The Association 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 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. Long-term debt at March 31, 2018, represents the remaining balance of the Association's payments due under these agreements.

**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, 2019:

	Useful Life in Months	2019	2018
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
		<u>2,555,106</u>	<u>2,555,106</u>
Accumulated Amortization		<u>(1,747,463)</u>	<u>(1,634,708)</u>
Net Arena Agreements		<u>\$ 807,643</u>	<u>\$ 920,398</u>

Amortization expense for the next five years is as follows:

Year ending March 31:	
2020	\$ 112,755
2021	112,755
2022	112,757
2023	44,450
2024	44,450
Thereafter	<u>80,476</u>
	<u>\$ 507,643</u>

**NOTE 5. LONG-TERM DEBT**

The Association entered into a long-term debt agreement with Fogerty Ice Arena for the purchase of rink rights. The agreement calls for monthly payments of \$5,906, including interest at 4%. The agreement matures on December 20, 2021. The balance of the note payable at March 31, 2019 and 2018 was \$182,693 and \$247,268. Interest expense for the year ended March 31, 2019 and 2018 was \$ 6,292 and \$11,192. The Association paid the note in full subsequent to year end.

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

**NOTE 6. COMMITMENTS**

The Association leases space for its lawful gambling activities. The lease agreements require 10% of gross profit with a maximum of \$1,750 per month. The lease agreements can be cancelled by either party without cause with a 30-day written notice. Rent expense for the year ended March 31, 2019 and 2018 was \$87,984 and \$71,058, respectively.

The Association also leases electronic gaming devices. The lease payments are based on a percentage of sales and can be terminated by either party with a 30-day notice. Rent expense for these devices for the year ended March 31, 2019 was \$23,563. There was no rent expense for electronic gaming devices in the year ended March 31, 2018.

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 for an indefinite time period. The Fogerty Ice Arena and Fogerty Dryland Facility agreements are to rent 60% of ice time for 20 years. Total ice rental expense for the year ended March 31, 2019 and 2018 was \$416,656 and \$437,346, respectively.



**LANDON C. SCOTT, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS|ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON  
SUPPLEMENTARY INFORMATION**

Board of Directors  
Blaine Youth Hockey Association  
Blaine, Minnesota

We have audited the financial statements of Blaine Youth Hockey Association as of and for the year ended March 31, 2019, and our report thereon dated October 10, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted 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 are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 statement 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*

October 10, 2019  
Lake Elmo, Minnesota

**BLAINE YOUTH HOCKEY ASSOCIATION**  
**SCHEDULES OF LAWFUL GAMING ACTIVITIES**  
**For the Years Ended March 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>GAMING REVENUE</b>	<u>\$ 16,067,165</u>	<u>\$ 14,236,919</u>
<b>COSTS AND OPERATING EXPENSES</b>		
Prizes Paid	13,549,769	11,994,953
Cost of Games	167,144	157,369
Taxes and Licenses	956,921	852,167
Compensation and Payroll Taxes	359,133	354,804
Advertising	14,742	15,211
Professional Fees	19,803	31,497
Bank Charges, Office and Miscellaneous	21,596	15,477
Purchase/Maintenance of Equipment	3,332	665
Rent of Electronic Gaming Devices	23,563	-
Rent	87,984	71,058
Theft loss	5,665	-
Insurance and Permits	249	478
Cash Short	6,100	3,640
Other Lawful Purpose Expenses	10,761	6,075
	<u>15,226,762</u>	<u>13,503,394</u>
<b>NET GAMING REVENUE</b>	<u><u>\$ 840,403</u></u>	<u><u>\$ 733,525</u></u>