

**BLAINE YOUTH HOCKEY ASSOCIATION
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
For the Years Ended March 31, 2020 and 2019**

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LANDON C. SCOTT, PLLC
CERTIFIED PUBLIC ACCOUNTANTS|ADVISORS

INDEPENDENT AUDITORS' REPORT

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, 2020 and 2019, and the related statements of activities, 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 the financial statements that are free from material misstatements, 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 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 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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, 2020 and 2019, 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.

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.

Handeen C. Scott PLLC

November 23, 2020
Lake Elmo, Minnesota

BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 579,186	\$ 568,703
Accounts Receivable	3,850	14,590
Prepaid Expenses	6,473	6,822
Total Current Assets	589,509	590,115
NON-CURRENT ASSETS		
Arena Agreements		
Arena Agreements	2,555,106	2,555,106
Accumulated Amortization	(1,860,218)	(1,747,463)
Total Arena Agreements	694,888	807,643
TOTAL ASSETS	\$ 1,284,397	\$ 1,397,758
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Account Payable	\$ 6,478	\$ 9,579
Deferred Revenue	-	12,075
Current Portion of Long-Term Debt	-	64,637
Total Current Liabilities	6,478	86,291
NON-CURRENT LIABILITIES		
Long-Term Debt, Less Current Maturities	-	118,056
Total Non-Current Liabilities	-	118,056
TOTAL LIABILITIES	6,478	204,347
NET ASSETS		
Without Donor Restrictions	1,277,919	1,193,411
TOTAL LIABILITIES AND NET ASSETS	\$ 1,284,397	\$ 1,397,758

BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF ACTIVITIES
For the Years Ended March 31, 2020 and 2019

	2020	2019
SUPPORT AND REVENUE		
Registration Fees	\$ 709,623	\$ 581,775
Contributions	47,382	23,676
Total Support and Revenue	757,005	605,451
 OTHER REVENUE		
Exchange Transactions		
Gross Gaming Revenue	16,934,687	16,067,165
Less: Cost of Gaming Revenue	(16,171,204)	(15,224,548)
Net Gaming Revenue	763,483	842,617
 Fundraising Income, Net of Expenses	5,735	7,074
Other Income	86	1,964
Interest Income	7,323	2,865
Total Other Revenue	776,627	854,520
 Total Support, Revenue, and other revenue	1,533,632	1,459,971
 EXPENSES		
Program Services		
Hockey Activities	1,362,345	1,165,098
Support Services:		
Management and General	86,779	79,979
Total Support Services	86,779	79,979
 Total Expenses	1,449,124	1,245,077
 CHANGE IN NET ASSETS	84,508	214,894
 Net Assets - Beginning of Year - See Note 7	1,193,411	978,517
 NET ASSETS - END OF YEAR	\$ 1,277,919	\$ 1,193,411

BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended March 31, 2020 and 2019

	2020			2019		
	Program Activities	Management and General	Total	Program Activities	Management and General	Total
Accounting Fees	\$ -	\$ 10,417	\$ 10,417	\$ -	\$ 11,025	\$ 11,025
Advertising	-	18,201	18,201	-	10,928	10,928
Amortization	112,755	-	112,755	112,755	-	112,755
Association Assessments	43,086	-	43,086	52,999	-	52,999
Awards and Trophies	9,458	-	9,458	12,891	-	12,891
Bad Debts	-	984	984	-	1,898	1,898
Bank and Transaction Fees	-	18,165	18,165	-	411	411
Board Fees	-	22,500	22,500	-	22,500	22,500
Coaches Expense	130,345	-	130,345	126,766	-	126,766
Computer and Website Expense	-	5,903	5,903	-	4,786	4,786
Concussion Testing	310	-	310	1,015	-	1,015
Donations	266,922	-	266,922	102,163	-	102,163
Equipment, Supplies and Uniforms	64,929	-	64,929	102,773	-	102,773
Ice Rental and Arena Costs	467,157	-	467,157	416,656	-	416,656
Insurance	2,197	-	2,197	2,132	-	2,132
Interest Expense	-	-	-	-	6,292	6,292
Meetings and Events	-	10,473	10,473	-	21,454	21,454
Office Expense	-	136	136	-	685	685
Officials, Referees and Evaluators	17,975	-	17,975	15,762	-	15,762
Tournaments	152,942	-	152,942	122,941	-	122,941
Training and Development	94,269	-	94,269	96,245	-	96,245
Total Functional Expenses	\$ 1,362,345	\$ 86,779	\$ 1,449,124	\$ 1,165,098	\$ 79,979	\$ 1,245,077

BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 84,508	\$ 214,894
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	10,740	20,613
Prepaid Expenses	349	(6,822)
Deferred Fund Loss		5,643
Increase (Decrease) In Current Liabilities:		
Accounts Payable	(3,101)	(2,641)
Deferred Revenue	(12,075)	(5,613)
Net Cash Provided (Used) By Operating Activities	193,176	338,829
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Debt Obligations	(182,693)	(64,575)
Net Cash Provided (Used) by Financing Activities	(182,693)	(64,575)
INCREASE (DECREASE) IN CASH	10,483	274,254
Cash- Beginning	568,703	294,449
CASH- ENDING	\$ 579,186	\$ 568,703
 SUPPLEMENTAL DISCLOSURES		
Interest Paid	\$ -	\$ 6,292

**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 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.

**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. 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.
- 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 years ended March 31, 2020 and 2019.
- 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.

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

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

- 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.
- j. Advertising Costs** - Advertising costs are expensed as incurred. Advertising costs for the years ended March 31, 2020 and 2019 were \$18,201 and \$10,928 for the organization and \$0 and \$14,742 for the gaming activities, respectively.
- k. Liquidity and Availability of Financial Assets** – At March 31, 2020, the Association has \$583,031 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 \$579,186, and other current assets of \$10,323 less current liabilities of \$6,478. 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. Measure of Operation** – The statement of activities reports 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, 2020 and 2019, the Association did not have any nonoperating activities.
- m. Subsequent Events** - The Association performed an evaluation of subsequent events from March 31, 2020 through November 23, 2020, which is the date the financial statements were available to be issued. On March 11, 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) a pandemic. Management is currently evaluating its impact on its operations, the specific impact in not readily determinable as of the date of these financial statements.

**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, 2019, 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, 2020 and 2019:

	Useful Life in Months	2020	2019
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>(1,860,218)</u>	<u>(1,747,463)</u>
Net Arena Agreements		<u>\$ 694,888</u>	<u>\$ 807,643</u>

Amortization expense for the next five years is as follows:

Year ending March 31:	
2021	\$ 112,755
2022	112,757
2023	44,450
2024	44,450
2025	44,450
Thereafter	<u>36,026</u>
	<u>\$ 394,888</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 Association paid the note in full during the fiscal year ended March 31, 2020. The balance of the note payable at March 31, 2019 was \$182,693. Interest expense for the year ended March 31, 2020 and 2019 was \$0 and \$6,292.

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

NOTE 6. COMMITMENTS

The Association leases four spaces for its lawful gambling operations. The rent payments are based upon 10% of the prior month's net profits, excluding bingo and electronic gaming, with a cap of \$1,750. In addition, rental payments for electronic gaming are based upon 15% of the prior month's net profits with no cap. Rent expense for the years ended March 31, 2020 and 2019 was \$103,087 and \$87,984. The lease terms are concurrent with the Association's perpetual premise permit.

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 years ended March 31, 2020 and 2019 was \$102,511 and \$23,563, respectively.

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 years ended March 31, 2020 and 2019 was \$467,157 and \$416,656, respectively.

NOTE 7. ACCOUNTING CHANGE

The Association changed the presentation of the lawful gambling operation in its audited financial statements. Because the regulatory basis of accounting is mandated by Minnesota state statutes, the Association determined that this method of accounting provides more accurate reporting of the lawful gambling operation.

The effects of this change on the March 31, 2019 financial statements are as follows:

	Before <u>Restatement</u>	<u>Adjustment</u>	<u>Restated</u>
Net Gaming Revenue	\$ 840,403	\$ 2,214	\$ 842,617
Change in Net Assets	212,680	2,214	214,894
Accrued Gambling Taxes	84,707	(84,707)	-
Net Assets,			
Beginning of Year	896,024	82,493	978,517
Net Assets,			
End of Year	1,108,704	84,707	1,193,411



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, 2020 and 2019, and have issued our report thereon dated November 23, 2020, 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 23, 2020
Lake Elmo, Minnesota

BLAINE YOUTH HOCKEY ASSOCIATION
SCHEDULES OF LAWFUL GAMING ACTIVITIES
For the Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
GAMING REVENUE	<u>\$ 16,934,687</u>	<u>\$ 16,067,165</u>
COSTS AND OPERATING EXPENSES		
Prizes Paid	14,345,606	13,549,769
Cost of Games	166,295	167,144
Taxes and Licenses	1,009,587	954,707
Compensation and Payroll Taxes	376,126	359,133
Advertising	-	14,742
Professional Fees	21,142	19,803
Bank Charges, Office and Miscellaneous	32,310	21,596
Purchase/Maintenance of Equipment	-	3,332
Rent of Electronic Gaming Devices	103,287	23,563
Rent	103,087	87,984
Theft loss	-	5,665
Insurance and Permits	249	249
Cash Short	5,354	6,100
Cash Shortage Reimbursements	(330)	-
Other Lawful Purpose Expenses	8,491	10,761
	<u>16,171,204</u>	<u>15,224,548</u>
NET GAMING REVENUE	<u><u>\$ 763,483</u></u>	<u><u>\$ 842,617</u></u>