

HOCKEY ALBERTA FOUNDATION



Independent Auditor's Report and
Financial Statements
July 31, 2020



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INDEPENDENT AUDITOR'S REPORT

To the Director of Hockey Alberta Foundation

Qualified Opinion

We have audited the financial statements of Hockey Alberta Foundation, ("the Foundation") which comprise the statement of financial position as at July 31, 2020, and the statements of changes in fund balances, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the financial statements present fairly, in all material respects, the financial position of the Foundation as at July 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from events and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to events or donation revenues, excess of revenues over expenditures, and cash flows from operations for the years ended July 31, 2020 and 2019, current assets as at July 31, 2020 and 2019 and fund balances as at August 1 and July 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended July 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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INDEPENDENT AUDITOR'S REPORT, continued

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

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 the Foundation's internal control.

INDEPENDENT AUDITOR'S REPORT, continued

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Red Deer County, Alberta

November 20, 2020

RSM Alberta LLP

Chartered Professional Accountants

HOCKEY ALBERTA FOUNDATION

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HOCKEY ALBERTA FOUNDATION

Statement of Financial Position

As at July 31, 2020

	2020	2019
ASSETS		
Current assets		
Cash (note 3)	\$ 492,297	\$ 257,096
Short-term investments (note 4)	361,079	428,087
Accounts receivable (note 5)	272,387	356,268
Prepaid expenses and deposits	<u>8,058</u>	<u>916</u>
	<u>\$ 1,133,821</u>	<u>\$ 1,042,367</u>
LIABILITIES		
Current liabilities		
Accounts payable and accruals	\$ 119,442	\$ 113,289
Donations payable (note 6)	50,000	50,000
Due to Hockey Alberta	<u>-</u>	<u>20,000</u>
	169,442	183,289
Due to Hockey Alberta	-	51,310
Donations payable (note 6)	250,000	300,000
Deferred contributions (note 7)	<u>330,384</u>	<u>143,900</u>
	<u>749,826</u>	<u>678,499</u>
FUND BALANCES		
General Fund	(223,741)	(235,034)
Reserve Fund	340,163	407,397
Restricted Fund	246,657	170,815
Endowment Fund (note 8)	<u>20,916</u>	<u>20,690</u>
	<u>383,995</u>	<u>363,868</u>
	<u>\$ 1,133,821</u>	<u>\$ 1,042,367</u>

See accompanying notes

Approved by the board:

Director

Director

HOCKEY ALBERTA FOUNDATION
Statement of Changes in Fund Balances
Year ended July 31, 2020

	General Fund	Reserve Fund	Restricted Fund	Endowment Fund	Total 2020	Total 2019
Balance, beginning of year	\$ (235,034)	\$ 407,397	\$ 170,815	\$ 20,690	\$ 363,868	\$ 470,309
Excess (deficiency) of revenues over expenditures	(55,941)	-	75,842	226	20,127	(106,441)
Interfund transfers	<u>67,234</u>	<u>(67,234)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (223,741)</u>	<u>\$ 340,163</u>	<u>\$ 246,657</u>	<u>\$ 20,916</u>	<u>\$ 383,995</u>	<u>\$ 363,868</u>

See accompanying notes



HOCKEY ALBERTA FOUNDATION

Statement of Operations

Year ended July 31, 2020

	General Fund	Restricted Fund	Endowment Fund	2020	2019
Revenues					
Non-receipted donations	\$ 58,703	\$ 100,000	\$ -	\$ 158,703	\$ 357,727
Casino, 50/50s and raffles	-	157,933	-	157,933	103,379
Events (note 9)	55,213	-	-	55,213	228,826
Tax-receipted donations	23,520	-	-	23,520	48,477
Interest income	4,248	88	226	4,562	7,113
	<u>141,684</u>	<u>258,021</u>	<u>226</u>	<u>399,931</u>	<u>745,522</u>
Expenditures					
Events	64,859	-	-	64,859	154,587
Contract and management fees (note 10)	50,000	-	-	50,000	50,000
Professional fees	18,058	-	-	18,058	12,000
Administrative	4,500	-	-	4,500	5,058
Promotions and recognitions	3,147	-	-	3,147	2,199
Travel	3,014	-	-	3,014	3,238
Goods and Services Tax	1,858	-	-	1,858	3,551
Bad debts	1,700	-	-	1,700	-
	<u>147,136</u>	<u>-</u>	<u>-</u>	<u>147,136</u>	<u>230,633</u>
Excess (deficiency) of revenue over expenditures before the following	<u>(5,452)</u>	<u>258,021</u>	<u>226</u>	<u>252,795</u>	<u>514,889</u>
Other expenditures					
Donations	50,489	125,000	-	175,489	210,000
Casino and raffle expenses (recovery)	-	43,179	-	43,179	(1,670)
Scholarships and bursaries	-	14,000	-	14,000	13,000
Alberta Sports Connection donations	-	-	-	-	400,000
	<u>50,489</u>	<u>182,179</u>	<u>-</u>	<u>232,668</u>	<u>621,330</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (55,941)</u>	<u>\$ 75,842</u>	<u>\$ 226</u>	<u>\$ 20,127</u>	<u>\$ (106,441)</u>

See accompanying notes



HOCKEY ALBERTA FOUNDATION

Statement of Cash Flows

Year ended July 31, 2020

	2020	2019
CASH PROVIDED BY (USED FOR)		
Operating activities		
Interest and donations received	\$ 368,967	\$ 437,067
Other contributions received	139,094	25,166
Casino, 50/50s and raffles received	114,754	105,049
Cash paid to suppliers and other	(148,125)	(171,925)
Donations, scholarships and bursaries paid	(239,489)	(273,000)
	<u>235,201</u>	<u>122,357</u>
Investing activities		
Purchase of investments	-	(6,932)
Proceeds from sale of investments	71,310	-
	<u>71,310</u>	<u>(6,932)</u>
Financing activity		
Repayment to Hockey Alberta	(71,310)	(45,764)
Increase in cash	235,201	69,661
Cash, beginning of year	257,096	187,435
Cash, end of year	\$ 492,297	\$ 257,096

See accompanying notes

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2020

1. Nature of Activities

Hockey Alberta Foundation ("the Foundation") is a not-for-profit entity whose purpose is to establish a sustainable fund that assists in celebrating the history of hockey in Alberta by supporting relevant projects such as the Alberta Sports Hall of Fame and Museum, inspiring future leaders of the game through the Future Leaders Scholarship Program, and sharing with other charitable organizations.

The Foundation is a registered charity and therefore is exempt from income tax in accordance with Section 149(1)(f) of the Income Tax Act.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

Funds

The General Fund records unrestricted donations, gifts, grants and events of the Foundation. Activities not specifically included in any other fund are recorded in the General Fund.

The Reserve Fund represents funds internally restricted by the Foundation for purposes designated by the board of directors.

The Restricted Fund includes externally restricted funds under licenses granted by the Alberta Gaming, Liquor and Cannabis Commission ("the Commission") and are restricted in accordance with the regulations set by the Commission.

The Endowment Fund is comprised of donations received from various donors that are specifically designated as restricted to be used as principal of the endowment. Interest revenue generated from these funds are used to fund endowment gifts in accordance with the endowment agreements.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: allowance for doubtful accounts and allocation of expenses to various funds. Actual results may differ from management's best estimates as additional information becomes available in the future.

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2020

2. Significant Accounting Policies, continued

Financial instruments

The Foundation measures its financial instruments initially at fair value and subsequently measures them at amortized cost.

Cash

Cash and cash equivalents include cash on deposit and any money market funds or term deposits with a maturity date of three months or less when purchased.

Short-term investments

Investments are comprised of an investment savings account recorded at amortized cost. Funds are available for withdrawal at any time and are therefore classified as current assets.

Donation commitment

A gift agreement that was entered into by the Foundation extends over a number of years. Multi-year gift agreements that are not contingent upon certain criteria are recorded as donations payable. In this case, the Foundation discloses the donation payable in note 6.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Restricted contributions related to general operations are recognized as revenue of the general fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the general fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is recognized as revenue in the appropriate fund as it is earned.

Contributed materials and services

Contributions of donated materials are not recognized in the financial statements unless the fair value can be reasonably determined, the materials are used in the normal course of operations and the materials would otherwise have been purchased.

The Foundation benefits from contributed services in the form of volunteer time. Due to the difficulties determining their fair value, these contributed services have not been recorded in the financial statements.

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2020

3. Cash

Hockey Alberta Foundation obtains casino and 50/50 revenue under licenses granted by the Alberta Gaming, Liquor and Cannabis Commission ("the Commission"). These funds must be maintained in a separate bank account and disbursements are restricted for use under the terms and conditions set out by the Commission including athlete, coach, and volunteer development delivered throughout Alberta by Alberta Amateur Hockey Association ("Hockey Alberta") and the Hockey Alberta Foundation. These expenditures are the subject of an annual audit by the Commission. Included in cash is \$129,844 (2019 - \$152,516) of undisbursed funds that are subject to these restrictions.

4. Short-Term Investments

Investments consist of an investment savings fund held by the Foundation. The investment earns income at a floating interest rate. The average interest rate for 2020 was 1.14% (2019 - 1.65%).

Included in investments is \$20,916 (2019 - \$20,690) of funds to be maintained permanently being restricted for endowments.

5. Accounts Receivable

Included in accounts receivable at year-end are contributions receivable in the amount of \$116,813 (2019 - \$18,299). These contributions are restricted for use under the terms and conditions set out by the Alberta Gaming, Liquor and Cannabis Commission.

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2020

6. Donations Payable

The Foundation has pledged to donate \$500,000 to Alberta Sports Connection donation fund with a request that it be directed to Hockey Alberta to support the strategic fund. During the 2017 through the 2020 fiscal years, the Foundation contributed \$50,000 each year towards this pledge. In the 2019 year, Hockey Alberta and the Foundation signed a donor agreement related to this donation. The Foundation has committed to annual contributions of \$50,000 for 10 years, scheduled to end in July 2026. In the event the Foundation is not in a financial position to make one or more installments, the Foundation has the option to defer the annual contribution or extend the term of annual payments by one or more years. It is the intent of the Foundation that this pledge commitment be directed to be used for charitable purposes in accordance with the Income Tax Act of Canada. The manner in which funds shall flow to Hockey Alberta will be through the Alberta Sport Connection Donation Fund with a specific request from the Foundation that the donation be directed to Hockey Alberta for these purposes.

The remaining liability of \$300,000 has been accrued in these financial statements with \$50,000 due in the next twelve months and \$250,000 due thereafter.

7. Deferred Contributions

	<u>Opening</u>	<u>Net Contributions Received</u>	<u>Contributions Recognized as Revenue</u>	<u>Ending</u>
Legacy Fund Contributions from Curtis Glencross & Friends Inc.	\$ 143,900	\$ 12,856	\$ 3,673	\$ 153,083
Contributions for Every Kid, Every Community Program	<u>-</u>	<u>197,301</u>	<u>20,000</u>	<u>177,301</u>
	<u>\$ 143,900</u>	<u>\$ 210,157</u>	<u>\$ 23,673</u>	<u>\$ 330,384</u>

The Curtis Glencross & Friends Inc. Legacy Fund will support a grant based program available for Local Minor Hockey Associations in rural Alberta to ensure kids who are unable to afford to play in their communities have the funds needed to participate.

Contributions for the Every Kid, Every Community program are to provide every child in Alberta the opportunity to play hockey through assisting amateur sports organizations, minor hockey organizations, youth groups, recreation groups, and other community groups that help establish events or programs to get local children active in hockey.

HOCKEY ALBERTA FOUNDATION

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8. Endowment

In 2008, the Barry Ennis Memorial Pond Hockey Award was established. The endowment was created to grant annual scholarships in the name of the endowment beginning in the fall of 2009 as selected by the Red Deer Pond Hockey Association. Interest earned on the endowment funds is restricted to fund scholarship payments.

9. Charitable Fundraising

The following cash transactions occurred during the year as a result of charitable fundraising:

	<u>2020</u>	<u>2019</u>
Gross contributions received	\$ 55,213	\$ 228,826
Contributions were utilized as follows:		
Event costs	(55,213)	(154,587)
Administration	-	(50,000)
Donations	-	(11,239)
Scholarships and bursaries	-	(13,000)
	<u>\$ -</u>	<u>\$ -</u>

10. Related Party Transactions

During the year Hockey Alberta donated office space, services of an administrative assistant, various office supplies and use of office equipment to the Foundation. Remuneration for these items and services was provided through contract and management fees in the amount of \$50,000 (2019 - \$50,000) to Hockey Alberta.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2020

11. Financial Instruments

The Foundation's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accruals and donations payable. The fair value of these financial instruments approximates their carrying value, unless otherwise noted. It is management's opinion that the Foundation is not exposed to significant interest, currency, market, liquidity or credit risk arising from these financial instruments except as follows:

Credit risk

The Foundation is exposed to credit risk as it grants credit to its sponsors in the normal course of operations. To mitigate this risk the Foundation regularly reviews its accounts receivable list, and based on knowledge of their sponsors, will stop granting credit to sponsors who have not made regular payments in the past.

Interest rate risk

The Foundation is exposed to interest rate cash flow risk as the short-term investments bear interest at a floating interest rate.

12. Commitment

The Foundation has signed a Memorandum of Understanding with Hockey Alberta which commits the Foundation to pay an annual management fee to Hockey Alberta. The management fee is determined annually.

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2020

13. COVID-19 Pandemic

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. In Canada, the Government of Alberta declared a provincial state of public health emergency as per the Province of Alberta's Public Health Act on March 17, 2020 with respect to COVID-19.

The Foundation has continued to remain operational with safety protocols in place related to COVID-19. The Foundation was able to hold its largest fundraising event, the annual Golf Classic, however participation was limited due to limits on gathering sizes. Other fundraising activities were also affected as some regular donors did not make donations in the current year due to uncertainty surrounding COVID-19. The Board has created the 2020/2021 budget based on projections that regular business activity will largely resume by the summer of 2021, and that the Foundation will be able to hold full-size fundraising events again the upcoming year. However, as this is subject to changing circumstances, the Board will assess these projections as the year progresses and is prepared to make adjustments to the budget as deemed necessary.

The extent to which COVID-19 impacts the Foundation's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain this or its impact, among others.

14. Comparative Amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2020 financial statements.