

HOCKEY ALBERTA FOUNDATION



Independent Auditor's Report and Financial Statements

July 31, 2019



RSM Alberta LLP
546 Laura Ave
Red Deer County, AB T4E 0A5
T +1403 342 5541
F +1403 347 3766

INDEPENDENT AUDITOR'S REPORT

To the Members 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, 2019, 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, 2019 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 special 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 expenses, and cash flows from operations for the years ended July 31, 2019, current assets as at July 31, 2019, and net assets as at August 1, 2018 and July 31, 2019. The predecessor auditor's opinion on the financial statements for the year ended July 31, 2018 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 opinion.

Other Matter

The financial statements for the year ended July 31, 2018 were audited by another auditor who expressed a qualified opinion on those financial statements on November 20, 2018 for the reason described in the *Basis for Qualified Opinion* section.

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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.

RSM Alberta LLP

Red Deer County, Alberta

November 23, 2019

Chartered Professional Accountants

HOCKEY ALBERTA FOUNDATION

Contents
July 31, 2019

Financial Statements	Page
Statement of Financial Position	1
Statement of Changes in Fund Balances	2
Statement of Operations	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 12

HOCKEY ALBERTA FOUNDATION

Statement of Financial Position

As at July 31, 2019

	2019	2018
ASSETS		
Current assets		
Cash (note 3)	\$ 257,096	\$ 187,435
Short-term investments (note 4)	428,087	421,155
Accounts receivable (note 9)	356,268	152,609
Prepaid expenses and deposits	916	-
	<u>\$ 1,042,367</u>	<u>\$ 761,199</u>
LIABILITIES		
Current liabilities		
Accounts payable and accruals (note 9)	\$ 113,289	\$ 90,166
Due to Hockey Alberta (note 5)	20,000	20,000
Donations payable (note 7)	50,000	-
	183,289	110,166
Due to Hockey Alberta (note 5)	51,310	60,574
Deferred contributions (note 6)	143,900	120,150
Donations payable (note 7)	300,000	-
	<u>678,499</u>	<u>290,890</u>
Commitment (note 12)		
FUND BALANCES		
General Fund	(216,735)	17,708
Reserve Fund	407,397	400,797
Restricted Fund	152,516	31,446
Endowment Fund (note 8)	20,690	20,358
	<u>363,868</u>	<u>470,309</u>
	<u>\$ 1,042,367</u>	<u>\$ 761,199</u>

Approved by the board:

Director

Director

HOCKEY ALBERTA FOUNDATION
Statement of Changes in Fund Balances
Year ended July 31, 2019

	General Fund	Reserve Fund	Restricted Fund	Endowment Fund	Total 2019	Total 2018
Balance, beginning of year	\$ 17,708	\$ 400,797	\$ 31,446	\$ 20,358	\$ 470,309	\$ 444,107
Excess (deficiency) of revenues over expenditures	(228,822)	-	122,049	332	(106,441)	26,202
Interfund transfers	<u>(5,621)</u>	<u>6,600</u>	<u>(979)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (216,735)</u>	<u>\$ 407,397</u>	<u>\$ 152,516</u>	<u>\$ 20,690</u>	<u>\$ 363,868</u>	<u>\$ 470,309</u>

HOCKEY ALBERTA FOUNDATION

Statement of Operations

Year ended July 31, 2019

	General Fund	Restricted Fund	Endowment Fund	2019	2018
Revenues					
Non-receipted donations	\$ 157,727	\$ 200,000	\$ -	\$ 357,727	\$ 146,853
Events (note 10)	228,826	-	-	228,826	202,678
Casino, 50/50s and raffles	-	103,379	-	103,379	800
Tax-receipted donations	48,477	-	-	48,477	38,875
Interest income	6,781	-	332	7,113	5,022
	<u>441,811</u>	<u>303,379</u>	<u>332</u>	<u>745,522</u>	<u>394,228</u>
Expenditures					
Events (note 10)	154,587	-	-	154,587	126,334
Contract and management fees (note 9)	50,000	-	-	50,000	50,000
Professional fees	12,000	-	-	12,000	14,380
Administrative	5,058	-	-	5,058	3,497
Goods and Services Tax	3,551	-	-	3,551	3,177
Travel	3,238	-	-	3,238	549
Promotions and recognitions	2,199	-	-	2,199	3,278
Bad debts	-	-	-	-	65
	<u>230,633</u>	<u>-</u>	<u>-</u>	<u>230,633</u>	<u>201,280</u>
Excess of revenue over expenditures before the following	<u>211,178</u>	<u>303,379</u>	<u>332</u>	<u>514,889</u>	<u>192,948</u>
Other expenditures					
Alberta Sports Connection donations (note 7)	400,000	-	-	400,000	50,000
Donations	40,000	170,000	-	210,000	100,561
Scholarships and bursaries	-	13,000	-	13,000	14,000
Casino expenses (recovery)	-	(1,670)	-	(1,670)	2,185
	<u>440,000</u>	<u>181,330</u>	<u>-</u>	<u>621,330</u>	<u>166,746</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (228,822)</u>	<u>\$ 122,049</u>	<u>\$ 332</u>	<u>\$ (106,441)</u>	<u>\$ 26,202</u>

HOCKEY ALBERTA FOUNDATION

Statement of Cash Flows

Year ended July 31, 2019

	2019	2018
CASH PROVIDED BY (USED FOR)		
Operating activities		
Interest and donations received	\$ 437,467	\$ 191,550
Other contributions received	128,145	227,395
Casino expenses (recovery)	1,670	(2,185)
Cash paid to suppliers and other	(171,925)	(275,802)
Donations, scholarships and bursaries paid	<u>(273,000)</u>	<u>(164,561)</u>
	122,357	(23,603)
Investing activity		
Purchase of investments	(6,932)	(4,900)
Financing activity		
Repayment to Hockey Alberta	<u>(45,764)</u>	<u>(39,237)</u>
Increase (decrease) in cash	69,661	(67,740)
Cash, beginning of year	<u>187,435</u>	<u>255,175</u>
Cash, end of year	<u><u>\$ 257,096</u></u>	<u><u>\$ 187,435</u></u>

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2019

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:

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 7.

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.

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2019

2. Significant Accounting Policies, continued

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. Actual results may differ from management's best estimates as additional information becomes available in the future.

Cash

Cash includes 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 valued at amortized cost. Funds are available for withdrawal at any time and are therefore classified as current assets.

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, 2019

2. Significant Accounting Policies, continued

Financial instruments

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

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 Hockey Alberta and the Hockey Alberta Foundation. These expenditures are the subject of an annual audit by the Commission. Included in cash is \$152,516 (2018 - \$31,446) of undisbursed funds that are subject to these restrictions.

4. Short-Term Investments

Investments consist of an investment savings funds held by the Foundation. The investment earns income at a floating interest rate. The average interest rate for 2019 was 1.65% (2018 - 1.18%).

Included in investments is \$20,690 (2018 - \$20,358) of funds to be maintained permanently being restricted for endowments.

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2019

5. Due to Hockey Alberta

Alberta Amateur Hockey Association (Hockey Alberta) is a not-for-profit entity, which is a related party to Hockey Alberta Foundation. As part of this relationship, Hockey Alberta provides staff and administrative resources to the Foundation and in return the Foundation provides an annual management fee and funding through the Alberta Sport Connection donation for growth and development initiatives for Hockey Alberta.

The balance due to Hockey Alberta represents outstanding reimbursements with scheduled annual payments of \$20,000. The amount is unsecured and is non-interest bearing.

	<u>2019</u>	<u>2018</u>
Current portion	\$ 20,000	\$ 20,000
Long-term portion	<u>51,310</u>	<u>60,574</u>
	<u>\$ 71,310</u>	<u>\$ 80,574</u>

The estimated principal repayments are as follows:

2020	\$ 20,000
2021	20,000
2022	20,000
2023	<u>11,310</u>
	<u>\$ 71,310</u>

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2019

6. Deferred Contributions

	<u>Opening</u>	<u>Net Contributions Received</u>	<u>Contributions Recognized as Revenue</u>	<u>Ending</u>
Contribution from Curtis Glencross & Friends Inc.	<u>\$ 120,150</u>	<u>\$ 95,000</u>	<u>\$ 71,250</u>	<u>\$ 143,900</u>

Contributions from Curtis Glencross & Friends Inc. are recognized in the general fund and are utilized to support access to grassroots hockey programs by kids in need across rural Alberta through the Every Kid Every Community Program.

7. 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, 2018 and 2019 fiscal years, the Foundation contributed \$50,000 each year towards this pledge. During the 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 \$350,000 has been accrued in these financial statements with \$50,000 due in the next twelve months and \$300,000 due thereafter.

The total Alberta Sports Connection donation in the current year of \$400,000 (2018 - \$50,000) consists of \$50,000 paid during the current year and the remaining liability of \$350,000 that has been accrued.

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2019

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. Related Party Transactions

In addition to the transactions noted in note 5 and note 7, Hockey Alberta donated office space, services of an administrative assistant, various office supplies and use of office equipment to the Foundation. These transactions have not been recorded in the financial statements as the fair market value cannot be reasonably determined.

During the year, the Foundation paid \$50,000 (2018 - \$50,000) to Hockey Alberta for contract and management fees. Included in accounts payable at year-end was \$7,592 (2018 - \$65,533) due to Hockey Alberta. Included in accounts receivable at year-end is \$3,800 (2018 - \$3,487) due from 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, 2019

10. Charitable Fundraising

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

	<u>2019</u>	<u>2018</u>
Gross contributions received	\$ 228,826	\$ 202,678
Contributions were utilized as follows:		
Event costs	(154,587)	(126,334)
Administration	(50,000)	(50,000)
Donations	(11,239)	(12,344)
Scholarships and bursaries	(13,000)	(14,000)
	<u>\$ -</u>	<u>\$ -</u>

11. Financial Instruments

The Foundation's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accruals and due to Hockey Alberta. 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.

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2019

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.

13. Comparative Amounts

The presentation of certain accounts of the previous year has been changed to conform to the presentation adopted for the current year.