

BLAINE YOUTH HOCKEY ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
BLAINE YOUTH HOCKEY ASSOCIATION
Blaine, Minnesota

We have audited the statements of financial position of Blaine Youth Hockey Association as of March 31, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lanigan & Kolb, LLP

December 3, 2012

**BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF FINANCIAL POSITION**

March 31, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash	\$ 186,979	\$ 32,164
Cash - savings	199,794	5,868
Restricted cash - gambling fund	66,065	63,391
Accounts receivable	86,515	87,187
Less allowance for doubtful accounts	(20,000)	(12,000)
Prepaid expenses	3,221	7,264
Gaming inventory	5,304	4,490
	<u>527,878</u>	<u>188,364</u>
INVESTMENT IN ICE ARENA (NET OF AMORTIZATION)	<u>1,596,931</u>	<u>1,709,686</u>
Total assets	<u><u>\$ 2,124,809</u></u>	<u><u>\$ 1,898,050</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 86,127	\$ 84,281
Accounts payable	15,692	108,966
Accrued gambling taxes	72,833	60,449
	<u>174,652</u>	<u>253,696</u>
Total current liabilities	<u>174,652</u>	<u>253,696</u>
LONG-TERM DEBT	<u>1,138,485</u>	<u>1,231,212</u>
Total liabilities	<u>1,313,137</u>	<u>1,484,908</u>
NET ASSETS		
Unrestricted	809,915	398,586
Gambling funds	1,757	14,556
	<u>811,672</u>	<u>413,142</u>
Total net assets	<u>811,672</u>	<u>413,142</u>
Total liabilities and net assets	<u><u>\$ 2,124,809</u></u>	<u><u>\$ 1,898,050</u></u>

See accompanying notes to financial statements.

BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended March 31, 2012 and 2011

	2012	2011
REVENUES		
Registrations, fees	\$ 523,088	\$ 519,888
Total revenues	523,088	519,888
OPERATING EXPENSES		
Programs, training expense, ice	521,358	491,905
Program supplies, equipment	35,389	79,566
Insurance	1,682	1,650
Legal and accounting	17,187	11,501
Donations, sponsorships	15,442	10,938
Printing and advertising	1,867	1,150
Office supplies/postage	2,983	2,761
Bank charges/cc processing	12,569	11,240
Coaching	22,878	11,860
Referees	825	2,730
Miscellaneous	8	1,697
Staff/purchased services	7,500	4,325
Bad debts/collections	19,780	27,864
Computer/internet	1,769	2,118
Meetings expense	5,035	3,578
Association assessments	34,438	27,868
Travel expenses	1,375	2,854
Total operating expenses	702,085	695,605
CHANGES IN NET ASSETS FROM OPERATIONS	(178,997)	(175,717)
OTHER REVENUE (EXPENSE)		
Donations	1,450	9,125
Sponsorship	775	16,305
Interest income	8,409	10,245
Special events	14,880	53,122
Gambling operations	745,719	233,102
Interest expense	(71,260)	(62,717)
Amortization of arena investment	(112,755)	(112,755)
Fundraising expense	(9,691)	(29,466)
Total other revenue (expense)	577,527	116,961
CHANGES IN NET ASSETS	398,530	(58,756)
NET ASSETS, BEGINNING OF YEAR	413,142	471,898
NET ASSETS, END OF YEAR	\$ 811,672	\$ 413,142

See accompanying notes to financial statements.

**BLAINE YOUTH HOCKEY ASSOCIATION
STATEMENTS OF CASH FLOWS**

For the Years Ended March 31, 2012 and 2011

	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 398,530	\$ (58,756)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	112,755	112,755
(Increase) decrease in:		
Accounts receivable	8,672	29,154
Prepaid expenses	4,043	(5,689)
Inventory	(814)	(908)
Increase (decrease) in:		
Accounts payable	(93,274)	(38,297)
Accrued gambling taxes	12,384	24,402
	442,296	62,661
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on long-term borrowing	(90,881)	(80,426)
	(90,881)	(80,426)
NET INCREASE (DECREASE) IN CASH	351,415	(17,765)
CASH - beginning	101,423	119,188
CASH - ending	\$ 452,838	\$ 101,423

See accompanying notes to financial statements.

BLAINE YOUTH HOCKEY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Blaine Youth Hockey Association is a Minnesota nonprofit organization organized to provide youth hockey training, instruction, team and tournament participation for area youth.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable provisions of the State of Minnesota.

The following accounting policies are presented to facilitate the understanding of information presented in the financial statements:

Revenues

Blaine Youth Hockey Association receives its revenue from registrations and fees paid by participants and from proceeds of its lawful gambling operations currently located at seven sites within the Cities of Blaine, Ham Lake and Lexington.

Accounts Receivable

The accounts receivable are stated at full value with an estimated provision for doubtful accounts.

Investment in Ice Arena

In return for \$300,000 paid to the Centennial School District to assist in the construction of the Centennial Sports Arena, the Blaine Youth Hockey Association receives at least 26% of prime ice time per year. This guarantee remains in effect as long as the arena is used for ice skating. There are no provisions in the agreement requiring return of any of the \$300,000 to the Organization should the arena cease being used as an ice arena. The Organization 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.

During fiscal year ended March 31, 2001 Blaine Youth Hockey Association entered into an agreement with Fogerty Ice Arena to support the acquisition and construction of an additional sheet of ice at Fogerty Ice Arena. Blaine Youth Hockey Association agreed to contribute 50% of the down payment and 50% of the debt service in return for an option to purchase up to 60% of the available ice time in Fogerty Ice Arena. Blaine Youth Hockey Association contributed \$299,500 for the acquisition and construction of the additional sheet of ice. In addition, Blaine Youth Hockey Association entered into a general agreement with Fogerty Ice Arena for the payment of two bond programs, one of seven years to finance locker rooms and storage areas and a second of twenty years to finance the primary arena. The total of these financing obligations to

BLAINE YOUTH HOCKEY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blaine Youth Hockey Association equals \$1,066,606. The general agreement ensures Blaine Youth Hockey Association the opportunity to purchase up to 60% of the prime ice time. There are no provisions in the agreement requiring return of any of the monies invested to the Organization should the arena cease being used as an ice arena. The investment in the arena is being amortized over twenty years. The seven year bond was paid off in 2008. In January 2009 a new twenty year bond agreement was entered into for \$800,000.

During fiscal year ended March 31, 2007, Blaine Youth Hockey Association entered into an agreement with Fogerty Ice Arena to contribute 60% of the capital cost for the acquisition and construction of a dryland training facility. Blaine Youth Hockey Association was obligated to pay \$111,000 of the \$185,000 total cost, payable in three equal installments of \$37,000, all of which have been paid. In return Blaine Youth Hockey Association shall have the option to use 60% of total available time, both prime and non-prime. There are no provisions in the agreement requiring return of any of the monies invested to the Organization should the facility cease being used as a dryland training facility. The investment in the facility is being amortized over twenty years.

During fiscal year ended March 31, 2007, Blaine Youth Hockey Association entered into an agreement with the National Sports Center in Blaine to contribute \$775,000 of the capital cost for the acquisition and construction of an additional sheet of ice at the Sports Center. Blaine Youth Hockey Association financed its capital contribution obligation with Anchor Bank with a \$730,000 note payable over five years, ballooning in January 2012. This note was refinanced in December 2009 lowering the interest rate and payment. The new note is payable over five years, ballooning in December 2015. The general agreement ensures Blaine Youth Hockey Association the opportunity to purchase the prime ice time. There are no provisions in the agreement requiring return of any of the monies invested to the Organization should the center cease being used as an ice arena. The investment in the arena is being amortized over twenty years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The accounts receivable are primarily due from participants of the hockey program and users of the ice hockey arena.

BLAINE YOUTH HOCKEY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization receives a substantial portion of its revenue from lawful gambling operations. Changes in regulations or loss of lawful gambling sites could significantly affect revenue.

NOTE 2 LEASE COMMITMENTS

The Organization leases space for the sites of its seven lawful gambling pull-tab booths within the Cities of Blaine, Ham Lake and Lexington. Total monthly rent under the pull-tab leases at March 31, 2012 cannot exceed \$12,250. The leases for the gambling operations run concurrently with the perpetual premise permits effective March 1, 2010 with a thirty day termination clause.

NOTE 3 GAMBLING FUNDS

Gambling funds represent the net equity in resources received from gambling operations which are used as designated by the Board of Directors for program purposes.

NOTE 4 LONG-TERM DEBT

Long-term debt outstanding at March 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
4.00% bond payable to Fogerty Ice Arena with monthly payments of \$5,906 including principal and interest due January 10, 2024.	\$ 663,509	\$ 706,891
6.24% note payable to Anchor Bank with monthly payments of \$6,488 including principal and interest for six years with a balloon payment December 28, 2015. Secured by all business assets.	<u>561,103</u>	<u>608,602</u>
	1,224,612	1,315,493
Less current maturities	<u>86,127</u>	<u>(84,281)</u>
	<u>\$1,138,485</u>	<u>\$1,231,212</u>

Principal payments required over the next five years under the above loans are as follows: 2013 - \$86,127; 2014 - \$93,472; 2015 - \$98,372; 2016 - \$472,042 and 2017 - \$52,969.