

Melfort Junior Hockey Association Inc.
Financial Statements
May 31, 2020

Melfort Junior Hockey Association Inc.

Contents

For the year ended May 31, 2020

	<i>Page</i>
Management's Responsibility	
Independent Auditor's Report	
Financial Statements	
Statement of Financial Position.....	1
Statement of Operations and Changes in Net Assets	2
Statement of Cash Flows.....	3
Notes to the Financial Statements	4
Schedules	
Schedule 1 - Schedule of Regular Season and Playoff Season Expenses.....	10
Schedule 2 - Schedule of General and Administrative Expenses.....	11

Management's Responsibility

To the Members of the Melfort Junior Hockey Association Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

September 2, 2020



Office Manager

Independent Auditor's Report

To the Members of the Melfort Junior Hockey Association Inc.:

Qualified Opinion

We have audited the financial statements of the Melfort Junior Hockey Association Inc. (the "Organization"), which comprise the statement of financial position as at May 31, 2020, and the statements of operations and changes in net assets, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at May 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 Organization derives revenue from fundraising activities, 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures and cash flows from operations for the years ended May 31, 2020 and 2019, current assets as at May 31, 2020 and 2019 and net assets as at June 1 and May 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended May 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 Organization 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.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization's internal control.
- 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 Organization'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 Organization 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.

Melfort, Saskatchewan

September 2, 2020

MNP LLP


Chartered Professional Accountants

Melfort Junior Hockey Association Inc.
Statement of Financial Position

As at May 31, 2020

	2020	2019
Assets		
Current		
Cash	22,781	19,056
Accounts receivable (Note 3)	20,488	20,304
Inventory (Note 4)	18,176	15,870
	61,445	55,230
Capital assets (Note 5)	2,834	6,117
Investments (Note 6)	51,024	50,191
	115,303	111,538
Liabilities		
Current		
Bank indebtedness (Note 7)	-	39,094
Accounts payable and accruals (Note 8)	19,160	9,796
Deferred revenue (Note 9)	-	23,959
	19,160	72,849
Long-term debt (Note 10)	40,000	-
	59,160	72,849
Commitments (Note 11)		
Net Assets		
Unrestricted net assets	25,443	7,989
Memberships (Note 12)	30,700	30,700
	56,143	38,689
	115,303	111,538

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements

Melfort Junior Hockey Association Inc.
Statement of Operations and Changes in Net Assets

For the year ended May 31, 2020

	2020	2019
Revenue		
Regular Season		
Gate admission	71,705	72,627
Season tickets	58,724	53,243
50/50	31,665	33,791
Beer gardens	30,800	31,070
Souvenirs	10,302	8,628
Player transactions	8,750	6,250
SJHL corporate passes	2,360	2,360
Programs	1,707	765
Playoffs		
Gate admission	14,158	94,831
Beer gardens	2,806	23,513
50/50	2,266	23,144
SJHL corporate passes	-	1,995
Programs	79	204
Corporate	182,281	185,670
Fundraising	175,359	145,590
Training camps	4,698	10,225
On-line game percentage	-	7,422
Sponsorship	-	2,024
Interest	838	400
Saskatchewan Small Business Emergency Payment	5,000	-
Total revenue	603,498	703,752
Regular season expenses (Schedule 1)	511,695	512,581
Playoff expenses (Schedule 1)	13,736	81,303
General and administrative expenses (Schedule 2)	60,613	71,064
Total expenses	586,044	664,948
Excess of revenue over expenses	17,454	38,804
Unrestricted net assets (debt), beginning of year	7,989	(30,815)
Unrestricted net assets, end of year	25,443	7,989

The accompanying notes are an integral part of these financial statements

Melfort Junior Hockey Association Inc.

Statement of Cash Flows

For the year ended May 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	17,454	38,804
Amortization	3,283	5,640
	20,737	44,444
Changes in working capital accounts		
Accounts receivable	(184)	(12,135)
Inventory	(2,306)	(477)
Accounts payable and accruals	9,364	(1,954)
Deferred revenue	(23,959)	(8,644)
	3,652	21,234
Financing		
Advances of long-term debt	40,000	-
Repayment of short-term debt	-	(30,000)
	40,000	(30,000)
Investing		
Purchase of capital assets	-	(749)
Purchase of investments	(833)	(21,346)
	(833)	(22,095)
Increase (decrease) in cash resources	42,819	(30,861)
Cash resources (deficiency), beginning of year	(20,038)	10,823
Cash resources (deficiency), end of year	22,781	(20,038)
Cash resources are composed of:		
Cash	22,781	19,056
Bank indebtedness	-	(39,094)
	22,781	(20,038)

The accompanying notes are an integral part of these financial statements

Melfort Junior Hockey Association Inc.

Notes to the Financial Statements

For the year ended May 31, 2020

1. Incorporation and nature of the organization

Melfort Junior Hockey Association Inc. ("the Organization") was incorporated under the Non-Profit Corporations Act of Saskatchewan and operates a junior hockey club in Melfort, Saskatchewan. As an association organized and operated exclusively to promote amateur athletics in Canada, it is exempt from tax under paragraph 149(1)(l) of the Income Tax Act.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

Cash and Cash Equivalents

Cash and cash equivalents include cash, term deposits and marketable securities with maturities of three months or less.

Inventory

Souvenir inventory is valued at the lower of cost and net realizable value. Cost is determined by the specific cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Equipment inventory is valued at the lower of cost and net realizable value. Cost is determined by the specific cost method. Net realizable value is the estimated value of the used equipment if it was to be sold in its current condition. Equipment inventory is not held for resale.

Investments

Long-term investments are term deposits held at a financial institution and recorded at fair value. They have been classified as long-term assets in concurrence with the nature of the investment.

Revenue recognition

The Organization follows the deferral method of accounting. Monies received in relation to various fundraisers are recognized as revenue at the time the related expenses have occurred.

Game related admissions and other sales are recognized as revenue when games occur. Souvenir sales are recognized as revenue at the point of sale. Corporate sponsorships are recognized as revenue is earned and collection is reasonably assured. Donations are recognized as revenue when received, as collection cannot be reasonably assured until that time. Investment revenue is accrued in the period earned.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Organization's operations and would otherwise have been purchased. Contributions of volunteer labour are not recorded in the financial statements.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Equipment	straight-line	5 years

2. **Significant accounting policies** *(Continued from previous page)*

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets. SJHL fee credits have been estimated at year-end as a result of timing of information received by the league and will appear on the 1st quarter information received in the subsequent year.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues and expenses in the periods in which they become known.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CICA 3840 Related Party Transactions.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Organization's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

Financial asset impairment

At each fiscal year-end date, the Organization is required to evaluate whether there are any indications that its financial assets measured at cost and amortized cost are impaired, resulting in a significant adverse change in the expected timing or amount of future cash flows to be generated from the financial asset. In management's opinion, as at May 31, 2020, the financial assets are not impaired.

Melfort Junior Hockey Association Inc.
Notes to the Financial Statements
For the year ended May 31, 2020

3. Accounts receivable

	2020	2019
Trade accounts receivable	22,173	21,729
Goods and Services Tax receivable	581	-
Accrued interest receivable	334	330
	23,088	22,059
Allowance for doubtful accounts	(2,600)	(1,755)
	20,488	20,304

4. Inventory

	2020	2019
Hockey equipment	16,860	15,140
Souvenirs	1,316	730
	18,176	15,870

Hockey equipment inventory is for the Organization's own use and is not for resale.

5. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Equipment	84,211	81,377	2,834	6,117
			2,834	6,117

6. Investments

	2020	2019
Measured at fair value:		
Affinity Credit Union term deposit bearing annual interest of 1.2%, pledged as security against the Organization's operating line of credit, matures August 2020.	29,541	29,191
Affinity Credit Union term deposit bearing annual interest of 2.3%, pledged as security against the Organization's operating line of credit, matures October 2021	21,483	21,000
	51,024	50,191

7. Bank indebtedness

The Organization has an authorized line of credit up to a maximum of \$50,000 (2019 - \$50,000) of which \$nil (\$39,094 at May 31, 2019) was drawn at year-end. Interest is payable at 2.95%. The line of credit is secured by two term deposits totalling \$51,024 bearing interest at 1.2% and 2.3% respectively.

Melfort Junior Hockey Association Inc.
Notes to the Financial Statements
For the year ended May 31, 2020

8. Accounts payable and accruals

	2020	2019
Trade payables	17,641	5,436
Source deductions payable	1,519	2,540
Goods and Services Tax payable	-	1,820
	19,160	9,796

9. Deferred revenue

Recognition of revenue is deferred to periods when the specified fundraising expenses take place. Deferred revenue is made up of the following:

	2020	2019
Balance, beginning of year	23,959	32,603
Corporate sponsorships	-	4,828
Trip of the Month lottery	-	19,131
Amounts recognized in the year	(23,959)	(32,603)
Balance, end of year	-	23,959

Given the impact of COVID restrictions on the Organization, the corporate sponsorship fundraising for the 2020/2021 fiscal year was not started until after year-end. The Organization did not run a Trip of the Month lottery in the current year.

10. Long-term debt

	2020	2019
Canada Emergency Business Account (CEBA) loan, non-interest bearing and not repayable until December 31, 2022.	40,000	-

The CEBA loan is a government assistance program implemented by eligible financial institutions to assist businesses and organizations in paying any non-deferrable expenses. To qualify, the Organization was required to demonstrate that they paid a minimum of \$20,000 in total payroll for 2019 as well as satisfy other administrative eligibility criteria. The funds from the CEBA loan must be used exclusively to pay non-deferrable operating expenses. Should the Organization repay \$30,000 by December 31, 2022, the remaining \$10,000 will be forgiven and recognized as income at that time. Should the Organization not repay by the required date, additional repayment terms will be put in place including interest required payments.

11. Commitments

The Organization has a contract with the City of Melfort for the use of ice time at specified rates which vary throughout the year. The contract expires at the end of the 2022/2023 hockey season.

Melfort Junior Hockey Association Inc.
Notes to the Financial Statements
For the year ended May 31, 2020

12. Memberships

	2020	2019
Lifetime memberships	29,500	29,500
5 year memberships	1,000	1,000
2 year memberships	40	40
1 year memberships	160	160
	30,700	30,700

The cost for each type of membership is as follows: Lifetime memberships - \$500; 5 year memberships - \$100; 2 year memberships - \$40; and 1 year memberships - \$20.

13. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate risk primarily through its bank indebtedness.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization enters into transactions to borrow funds from financial institutions for daily operations, for which repayment is required.

14. Government Grants

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as result of COVID-19. This subsidy is retroactive to March 15, 2020. The qualification and application of the CEWS is being assessed over multiple four-week application period segments.

The Organization determined that it qualified for this subsidy from the March 15, 2020 effective date and has received the subsidy for the period up to May 31, 2020. The Organization, also intends to apply for the CEWS in subsequent application periods, subject to continuing to meet the applicable qualification criteria.

The Organization will recognize government grants when there is a reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received. The Organization recognizes government grants as a reduction to the related expense that the grant is intended to offset. During the fiscal 2020 year, the Organization recognized, \$12,577 of CEWS, and has recorded it as a reduction to the salaries and wages expense incurred by the Organization during this period.

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

Melfort Junior Hockey Association Inc.

Notes to the Financial Statements

For the year ended May 31, 2020

16. Significant event

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The outbreak began in March 2020 and as a result, caused an abrupt ending to the 2019/2020 season. As such, the Organization was unable to continue their operations and as a result revenues decreased significantly. At this time, any further impact the COVID-19 outbreak may have on the Organization is unknown as it will depend on whether the 2020/2021 season is able to begin and if so, in what capacity, such as the number of games scheduled, fan attendance etc. As such, the potential impact that this will have on the continued operations is unknown and cannot be predicted with confidence.

Melfort Junior Hockey Association Inc.
Schedule 1 - Schedule of Regular Season and Playoff Season Expenses

For the year ended May 31, 2020

	2020	2019
Regular season		
Player costs		
Billet	57,213	50,558
Player trades	19,550	19,500
Team clothing	7,322	3,958
Player registration and transfer fees	1,800	-
Team building	1,687	3,798
Education	-	5,717
Equipment	37,177	38,326
Travel		
Bus	42,137	38,778
Meals	12,336	10,647
Accommodation	6,378	13,023
Vehicle rental	-	226
Salary and benefits	133,303	142,859
Fundraising costs	74,832	53,420
Game related		
Ice rental	29,286	29,270
Scouting	18,963	23,454
League fees	15,632	15,677
Ticket and program production	14,467	17,420
Medical, dressing room and coaches room	13,300	15,943
Beer gardens	12,887	13,861
Referee and linesmen	8,862	10,226
Souvenirs	4,564	5,920
	511,695	512,581
Playoffs		
Player costs		
Billet	2,990	10,707
Travel		
Accommodation	3,053	8,300
Meals	1,568	7,156
Salary and benefits	-	12,940
Game related		
Bus	2,850	11,337
Ice rental	2,360	9,889
Referee and linesmen	600	2,400
Ticket and program production	273	3,389
Medical, dressing room and coaches room	42	2,585
League fees	-	5,100
Beer gardens	-	7,500
	13,736	81,303
Total regular season and playoff expenses	525,431	593,884

Melfort Junior Hockey Association Inc.
Schedule 2 - Schedule of General and Administrative Expenses

For the year ended May 31, 2020

	2020	2019
Advertising and promotion	23,107	32,906
Professional fees	8,588	7,906
Bank charges and interest	6,779	4,997
Office	6,128	6,432
Building rent	4,066	1,866
Insurance	3,681	3,470
Amortization	3,283	5,640
Telephone	3,218	6,191
Bad debt expense	1,549	1,655
Other expenses	213	-
Total general and administrative expenses	60,613	71,064
