
KANATA MINOR HOCKEY ASSOCIATION

FINANCIAL STATEMENTS

APRIL 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Members of the Kanata Minor Hockey Association:

Qualified Opinion

We have audited the financial statements of Kanata Minor Hockey Association, which comprise the statements of financial position as at April 30, 2021 and April 30, 2020 and the statements of fund operations and changes in net assets (operating and capital asset fund) and statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Kanata Minor Hockey Association as at April 30, 2021 and April 30, 2020 and the results of its operations and cash flows for the years then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 opinion.

In common with many similar organizations, the Association derives revenues from fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to fundraising revenues, excess of revenues over expenses, assets and net assets.

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

Management is responsible for the preparation and fair presentation of these 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 Company 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.

Auditors' Responsibility 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 auditors' 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 Company'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 Company 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.

Ottawa, Ontario
March 30, 2022

MKP PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to Practise Public Accounting by the
Chartered Professional Accountants of Ontario



KANATA MINOR HOCKEY ASSOCIATION

STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2021

	2021			2020
	Operating Fund \$	Capital asset Fund \$	Total \$	Total \$
Assets				
Cash	334,460	-	334,460	324,823
Accounts receivable	18,855	-	18,855	2,867
Prepaid rent (note 6)	10,331	-	10,331	10,331
Prepaid try-out jerseys (note 13)	10,961	-	10,961	-
Interfund loan	(233,388)	233,388	-	-
	141,219	233,388	374,607	338,021
Capital assets (note 3)	-	1,016	1,016	16,497
	141,219	234,404	375,623	354,518
Liabilities				
Accounts payable and accrued liabilities	9,775	-	9,775	19,022
Refunds and other amounts payable	473	-	473	-
	10,248	-	10,248	19,022
Canadian Emergency Business Account loan (note 14)	40,000	-	40,000	-
	50,248	-	50,248	19,022
Net assets	90,971	234,404	325,375	335,496
Represented by:				
Operating fund	90,971	-	90,971	85,611
Net investment in capital assets (note 4)	-	234,404	234,404	249,885
	90,971	234,404	325,375	335,496

Approved by the Board:



 Erin Murphy



(The accompanying notes are an integral part of these financial statements)

KANATA MINOR HOCKEY ASSOCIATION

STATEMENT OF FUND OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED APRIL 30, 2021

	2021			2020
	Operating Fund actual \$	Capital Asset Fund actual \$ (note 4)	Total actual \$	Total actual \$
Revenue				
Registration fee (net of subsidies) and tryouts	577,317	-	577,317	1,127,103
Ice rentals	1,212	-	1,212	231,212
Referee	1,000	-	1,000	93,427
Clinics	-	-	-	9,137
Miscellaneous and other income	5,103	-	5,103	41,645
CEBA grant - forgivable portion (note 14)	20,000	-	20,000	-
	604,632	-	604,632	1,502,524
Expenses				
Hockey programs - referee costs	17,834	-	17,834	186,671
Hockey programs - ice rental & scheduling costs	435,849	-	435,849	943,278
Hockey programs - development & clinics	9,410	-	9,410	30,530
Hockey programs - league fees	404	-	404	16,495
Hockey programs - equipment	5,416	-	5,416	27,340
Hockey programs - other	2,749	-	2,749	9,987
Insurance	39,139	-	39,139	95,814
Rental	-	-	-	15,496
Office and administration	74,174	-	74,174	76,519
Professional fees	6,126	-	6,126	5,831
Interest, bank charges and merchant fees	11,290	-	11,290	32,597
Miscellaneous	1,501	-	1,501	5,141
Amortization of capital assets	-	15,481	15,481	16,658
	603,892	15,481	619,373	1,462,357
Income (loss) from general operations	740	(15,481)	(14,741)	40,167
Fundraising activities - net of costs	4,620	-	4,620	6,631
Excess (deficiency) of revenue over expenses for the year	5,360	(15,481)	(10,121)	46,798
Net assets, beginning of the year	85,611	249,885	335,496	288,698
Net assets, end of the year	90,971	234,404	325,375	335,496

(The accompanying notes are an integral part of these financial statements)

KANATA MINOR HOCKEY ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED APRIL 30, 2021

	2021			2020
	Operating Fund \$	Capital Asset Fund \$	Total \$	Total \$
Cash provided by (used in):				
Operating activities:				
Excess (deficiency) of revenue over expenses for the year	5,360	(15,481)	(10,121)	46,798
Less non-cash expenses:				
Amortization	-	15,481	15,481	16,658
Changes in non-cash working capital balances:				
Accounts receivable	(15,988)	-	(15,988)	(2,867)
Prepaid expense- rent & jerseys	(10,961)	-	-	-
Accounts payable and accrued liabilities	(9,247)	-	(9,247)	11,815
Refunds and other amounts payable	473	-	473	-
	<u>(30,363)</u>	<u>-</u>	<u>(19,402)</u>	<u>72,404</u>
Investing activities:				
Loan proceeds advanced net of forgivable grant portion CEBA loan	40,000	-	40,000	-
Increase in cash during the year	9,637	-	9,637	72,404
Cash, beginning of the year	324,823	-	324,823	252,419
Cash, end of the year	<u>334,460</u>	<u>-</u>	<u>334,460</u>	<u>324,823</u>

(The accompanying notes are an integral part of these financial statements)



KANATA MINOR HOCKEY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2021

1. Operations

The Association is incorporated as a non-profit organization under The Corporations Act of Ontario. As such it is exempt from income taxes.

The Association historically has had approximately 1,600 children playing in House League and Competitive divisions. The objective of the Association is to foster and encourage the sport of minor hockey throughout the former City of Kanata (now part of the City of Ottawa).

2. Significant accounting principles

(a) Canadian accounting standards for not-for-profit organizations

The Association applies Canadian accounting standards for not-for-profit organizations.

(b) Fund accounting

The Association follows the restricted fund method of accounting for contributions.

The operating fund reports registration fees collected from teams and registrants, and expenses related to the operations and administration of the Association.

The capital asset fund reports the amounts appropriated for the acquisition of capital assets less accumulated amortization of the assets acquired. Amounts appropriated to capital assets include amounts approved by the Executive over and above amounts spent or intended to be spent in any current fiscal year.

(c) Capital assets

Capital assets are recorded at cost and are amortized according to the straight-line method commencing in the year of acquisition, as follows:

Sweaters and goalie equipment	3 years
Furniture and fixtures	5 years
Office, general, and computer equipment	5 years

(d) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement depends on the nature of the financial instrument.

The Association's financial instruments are measured as follows:

Financial Asset/Liability	Measurement
Cash	Fair value
Accounts receivable	Amortized cost
Accounts payable	Amortized cost

KANATA MINOR HOCKEY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2021

2. Significant accounting principles (continued)

(e) Use of estimates

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

(f) Revenue recognition

Revenue from teams; ice rentals, referees, from registrants; registration fees, clinics, from donations, miscellaneous & other income are recognized when collected. CEBA grant - forgivable portion of the loan is recognized in the period received.

3. Capital assets

The capital assets are as follows:

	2021		2020	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Sweaters	43,284	43,284	-	14,428
Goalie equipment	53,051	53,051	-	-
Office equipment	1,242	1,242	-	-
Furniture and fixtures	1,911	1,911	-	-
General equipment	10,254	10,254	-	-
Computer equipment	9,965	8,949	1,016	2,069
	<u>119,707</u>	<u>118,691</u>	<u>1,016</u>	<u>16,497</u>

4. Capital asset fund

The change in the capital asset fund is as follows:

	2021	2020
	\$	\$
Balance, beginning of the year	249,885	211,543
Amounts transferred for the purchase of capital assets	-	55,000
Amortization expense	<u>(15,481)</u>	<u>(16,658)</u>
Balance, end of the year	<u>234,404</u>	<u>249,885</u>

KANATA MINOR HOCKEY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2021

4. Capital asset fund (continued)

Commencing in fiscal 2016 the Board of the Kanata Minor Hockey Association had approved annual “transfers” to the Capital Asset Fund to ensure that funds were set aside for the purchase of hockey sweaters. The first such “transfer” was \$125,000 and thereafter was limited to \$55,000 per annum. At the Board meeting of October 21, 2021, a motion was approved eliminating the contribution for the April 30, 2021 fiscal year. In addition, future contributions would be in consideration of the capital asset fund balance wherein the balance would be limited to \$275,000 plus 2% for yearly inflation.

5. Financial instruments and risk management

The Association’s financial instruments consist of cash, investments, accounts receivable, and accounts payable. Credit risk refers to the risk resulting from the possibility that parties may default on their financial obligations to the organization. Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. Unless otherwise noted, it is management’s opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments.

6. Prepaid rent

The Association had entered into a one-year agreement for the rental of office, board room and storage space from the City of Ottawa ending December 31, 2020. The amount prepaid under this contract, based on the Association’s fiscal year end, is approximately \$10,331.

A further one-year agreement for the rental of premises with the City of Ottawa was entered into, ending December 31, 2021. The city had agreed to “no rental charges” for the office and board room until October 2021.

Due to the Covid-19 pandemic and the lockdowns that have impacted the programs offered by the Kanata Minor Hockey Association during 2020 and into early 2021, the City of Ottawa had granted a credit of \$9,000 to be applied in the future rental costs.

7. Income taxes

The Association is a not-for-profit-organization and hence is exempt from income taxes.

8. Remuneration to officers and directors

The remuneration to officers and directors during the year was nil (2020 – nil).

KANATA MINOR HOCKEY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2021

9. Economic dependence

The Association rents the most significant portion of its ice from the City of Ottawa (2021 – 56%; 2020 – 70%). The Covid 19 pandemic impacted ice rentals during the 2021 fiscal season.

10. Volunteer services

The activities of the Association are dependent upon the voluntary services of many of its members. No amounts are reflected in the financial statements for these contributed services since there is no objective basis available to measure the value of these services.

11. Capital management

As a not-for-profit entity, the Association's operations are reliant on revenues generated annually. Over its history, the Association has accumulated net assets in its operating fund. A portion of the accumulated net assets, in the operating fund, is retained as working capital which may be required from time to time due to timing delays in receiving external funding. The remaining balance in the operating fund is available for the use of the Association at management's discretion.

12. Related-party transaction

The past President of the Association had previously provided services to the Association acting as the "Ice Scheduler." During the 2020 fiscal year, the total compensation was \$21,600. There were no such charges incurred during the 2021 fiscal year.

13. Covid-19

The Covid-19 pandemic has again impacted the April 30, 2021 financial statements. The City of Ottawa lockdown of the facilities continued on and off during the 2021 fiscal year. Limited entry was granted to the equipment room of the Kanata Minor Hockey Association with the starting and stopping of lockdowns. There was a significant impact on the Organization in terms of revenues and hockey programs which were down approximately 60% from the 2020 year.

During the 2021 hockey year try-out jerseys were purchased for the year but were not used. As such the cost of these jerseys has been reported as prepaid try-out jerseys on the statement of financial position.

KANATA MINOR HOCKEY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2021

14. Canadian Emergency Business Account Loan

During the 2021 fiscal year the Association applied for and was provided with \$60,000 under the Canadian Emergency Business Account Loan. Of this \$40,000 is treated as a liability of the Association and repayment is due by December 31, 2023. This amount is reported on the statement of financial position. The remaining \$20,000 is included on the statement of fund operations and changes in net assets. This is the forgivable portion of the loan based on the repayment of the loan, as noted above, by December 31, 2023. It is the Association's position that this loan will be repaid based on the terms of the agreement.