

HOCKEY ALBERTA FOUNDATION

Independent Auditor's Report and Financial Statements

July 31, 2023



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Hockey Alberta Foundation

Qualified Opinion

We have audited the financial statements of Hockey Alberta Foundation, which comprise the statement of financial position as at July 31, 2023, 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, 2023 and its results of 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, 2023 and 2022, current assets as at July 31, 2023 and 2022 and fund balances as at August 1 and July 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended July 31, 2022 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.

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.

INDEPENDENT AUDITOR'S REPORT, continued

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

INDEPENDENT AUDITOR'S REPORT, continued

- ◆ 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

October 27, 2023

RSM Canada LLP

Chartered Professional Accountants

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HOCKEY ALBERTA FOUNDATION

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HOCKEY ALBERTA FOUNDATION

Statement of Financial Position

As at July 31, 2023

	2023	2022
ASSETS		
Current assets		
Cash (note 3)	\$ 2,388,565	\$ 2,607,278
Short-term investments (note 4)	404,756	391,476
Accounts receivable (note 5)	456,529	363,148
Prepaid expenses and deposits	8,785	2,000
	<u>\$ 3,258,635</u>	<u>\$ 3,363,902</u>
LIABILITIES		
Current liability		
Accounts payable and accruals	\$ 137,817	\$ 324,859
Deferred contributions (note 6)	<u>174,556</u>	<u>300,384</u>
	<u>312,373</u>	<u>625,243</u>
FUND BALANCES		
General Fund	319,980	258,656
Reserve Fund	384,779	372,072
Restricted Fund	2,050,958	2,088,527
Endowment Fund (note 7)	190,545	19,404
	<u>2,946,262</u>	<u>2,738,659</u>
	<u>\$ 3,258,635</u>	<u>\$ 3,363,902</u>

Approved by the board:

_____ Director

_____ Director

See accompanying notes

HOCKEY ALBERTA FOUNDATION
Statement of Changes in Fund Balances
Year ended July 31, 2023

	General Fund	Reserve Fund	Restricted Fund	Endowment Fund	Total 2023	Total 2022
Balance, beginning of year	\$ 258,656	\$ 372,072	\$ 2,088,527	\$ 19,404	\$ 2,738,659	\$ 2,256,187
Excess (deficiency) of revenues over expenditures	68,750	12,707	(44,995)	171,141	207,603	482,472
Interfund transfers	<u>(7,426)</u>	<u>-</u>	<u>7,426</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 319,980</u>	<u>\$ 384,779</u>	<u>\$ 2,050,958</u>	<u>\$ 190,545</u>	<u>\$ 2,946,262</u>	<u>\$ 2,738,659</u>

See accompanying notes

HOCKEY ALBERTA FOUNDATION
Statement of Operations
Year ended July 31, 2023

	General Fund	Reserve Fund	Restricted Fund	Endowment Fund	2023	2022
Revenues						
Casino, 50/50s and raffles	\$ -	\$ -	\$ 2,186,970	\$ -	\$ 2,186,970	\$ 5,961,116
Events (note 10)	404,213	-	-	28,685	432,898	257,008
Non-receipted donations	124,408	-	-	141,883	266,291	162,956
Interest income	214	10,453	1,183	471	12,321	21,815
Tax-receipted donations	6,900	-	-	-	6,900	37,257
	<u>535,735</u>	<u>10,453</u>	<u>2,188,153</u>	<u>171,039</u>	<u>2,905,380</u>	<u>6,440,152</u>
Expenditures						
Events (note 10)	285,858	-	-	-	285,858	176,003
Contract and management fees (note 11)	60,000	-	-	-	60,000	50,000
Professional fees	16,485	-	-	-	16,485	12,847
Promotions and recognitions	13,942	-	-	-	13,942	12,591
Administrative	9,172	-	-	-	9,172	3,713
Travel	6,305	-	-	-	6,305	3,689
Goods and Services Tax	5,223	-	-	-	5,223	4,718
	<u>396,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,985</u>	<u>263,561</u>
Excess of revenue over expenditures before the following	<u>138,750</u>	<u>10,453</u>	<u>2,188,153</u>	<u>171,039</u>	<u>2,508,395</u>	<u>6,176,591</u>
Other expenditures						
Casino, 50/50s and raffle expenses (note 8)	-	-	488,148	-	488,148	3,072,957
Donations (note 9)	70,000	-	1,745,000	-	1,815,000	2,558,736
Unrealized loss (gain) on short-term investments	-	(2,254)	-	(102)	(2,356)	52,426
Scholarships and bursaries	-	-	-	-	-	10,000
	<u>70,000</u>	<u>(2,254)</u>	<u>2,233,148</u>	<u>(102)</u>	<u>2,300,792</u>	<u>5,694,119</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 68,750</u>	<u>\$ 12,707</u>	<u>\$ (44,995)</u>	<u>\$ 171,141</u>	<u>\$ 207,603</u>	<u>\$ 482,472</u>

See accompanying notes

HOCKEY ALBERTA FOUNDATION

Statement of Cash Flows

Year ended July 31, 2023

	2023	2022
CASH PROVIDED BY (USED FOR)		
Operating activities		
Interest and donations received	\$ 6,877	\$ 191,582
Other contributions received	710,327	488,802
Casino, 50/50s and raffles received	2,201,347	6,012,794
Cash paid to suppliers and other	(834,115)	(248,594)
Donations, scholarships and bursaries paid	(1,815,000)	(1,710,000)
Casino, 50/50s and raffles expenses paid	(488,149)	(4,181,693)
	<u>(218,713)</u>	552,891
Investing activity		
Purchase of investments	-	(20,000)
	<u>(218,713)</u>	532,891
Increase (decrease) in cash	(218,713)	532,891
Cash, beginning of year	<u>2,607,278</u>	<u>2,074,387</u>
Cash, end of year	<u>\$ 2,388,565</u>	<u>\$ 2,607,278</u>

See accompanying notes

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2023

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 Alberta Gaming, Liquor and Cannabis ("AGLC") and are restricted in accordance with the regulations set by AGLC.

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, 2023

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. Areas requiring the use of estimates include: allowance for doubtful accounts, allocation of expenses to various funds and deferred revenue. Actual results may differ from management's best estimates as additional information becomes available in the future.

Financial instruments

Measurement

Financial instruments are financial assets or liabilities of the Foundation where, in general, the Foundation has the right to receive cash or another financial asset from another party or the Foundation has the obligation to pay another party cash or other financial assets.

The Foundation initially measures its financial assets and liabilities at fair value. Transaction costs are expensed as incurred for financial instruments measured at fair value and capitalized for financial instruments subsequently measured at cost or amortized cost.

The Foundation subsequently measures its financial assets and liabilities at amortized cost, except for short-term investments.

Financial assets measured at amortized cost include cash and accounts receivable. Short-term investments are subsequently measured at fair value.

Financial liabilities measured at amortized cost include accounts payable and accruals.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is not greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in operations.

Short-term investments

Investments are comprised of equity investments recorded at fair value. Funds are available for withdrawal at any time and are therefore classified as current assets.

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2023

2. Significant Accounting Policies, continued

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 expenditures 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.

Event revenue is recognized in the general fund when the event occurs. If the event is externally restricted, the net proceeds from the event recognized in the general fund in the year in which the related expenditures are incurred.

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.

3. Cash

Hockey Alberta Foundation obtains casino and 50/50 revenue under licenses granted by AGLC. These funds must be maintained in a separate bank account and disbursements are restricted for use under the terms and conditions set out by AGLC. Included in cash is \$2,011,893 (2022 - \$2,068,086) of undisbursed funds that are subject to these restrictions.

Included in cash is \$170,568 (2022 - Nil) of funds to be maintained permanently for the Glencross Legacy Fund endowment (note 7).

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2023

4. Short-Term Investments

Investments consist of ATB compass mutual funds held by the Foundation. The investment earns income as reinvested dividends.

Included in investments is \$19,977 (2022 - \$19,404) of funds to be maintained permanently for the Team Alex Memorial Scholarship endowment (note 7). The remaining funds are restricted for the reserve fund in the amount of \$384,779 (2022 - \$372,072).

5. Accounts Receivable

	<u>2023</u>	<u>2022</u>
Calgary Shaw Charity Classic Foundation	\$ 274,500	\$ 274,500
Events	137,743	65,489
Donations	35,000	-
Goods and Services Tax rebate	<u>9,286</u>	<u>23,159</u>
	<u>\$ 456,529</u>	<u>\$ 363,148</u>

Included in donation receivable at year-end is \$35,000 (2022 - Nil) related to amounts that are restricted for use under the terms and conditions set out by AGLC.

Included in Goods and Services Tax rebate at year-end is \$4,064 (2022 - \$18,441) related to amounts that are restricted for use under the terms and conditions set out by AGLC.

Included in event receivables at year-end is \$3,789 (2022 - \$13,300) related to amounts that were paid for on behalf of Hockey Alberta and are subsequently reimbursed to the Foundation.

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2023

6. Deferred Contributions

	<u>Opening</u>	<u>Contributions Received</u>	<u>Net Contributions Recognized as Revenue</u>	<u>Ending</u>
Contribution from Hockey Canada Foundation	\$ 158,501	\$ -	\$ (70,000)	\$ 88,501
Contributions from Curtis Glencross & Friends Inc.	<u>141,883</u>	<u>114,740</u>	<u>(170,568)</u>	<u>86,055</u>
	<u>\$ 300,384</u>	<u>\$ 114,740</u>	<u>\$ (240,568)</u>	<u>\$ 174,556</u>

The contribution from Hockey Canada Foundation was received after a hockey gala held in 2019. The funds are dedicated to go towards Alberta programs supported by Hockey Alberta Foundation.

The contributions from Curtis Glencross & Friends Inc. will support the ongoing work and initiatives of the Foundation in supporting kids and communities in Alberta through the game of hockey. During the year, The Glencross Legacy Fund was established and funds accumulated for this purpose have been recognized in the endowment fund of the Foundation in the current year (note 7).

7. Endowments

The Team Alex Memorial Scholarship Award was established to grant annual scholarships in the name of the endowment beginning in the fall of 2022 as selected by the Red Deer Pond Hockey Association. Interest earned on the endowment funds is restricted to fund scholarship payments. The balance in the endowment at year-end is \$19,977 (2022 - \$19,404).

During the year the Glencross Legacy Fund was established to support the work and initiatives of the Foundation. Of the funds received annually 25% are endowed in perpetuity under the terms of the agreement with the donor and any interest earned on the endowed funds to be used for projects as directed by the Board of Directors. In the prior year 25% of accumulated funds collected from various events and donations were reported as deferred revenue until the agreement had been finalized. These funds totalling \$141,883 were recognized as revenue of the endowment fund in the current year along with the current year amount of \$28,685. The balance in the endowment at year-end is \$170,568 (2022 - NIL).

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2023

8. Casino, 50/50s and Raffle Expenses

	<u>2023</u>	<u>2022</u>
Prize payouts	\$ 301,035	\$ 2,174,019
Fees	182,670	878,908
Non-recoverable GST	4,064	18,441
Casino expenses	-	1,288
Bank fees	379	301
	<u>\$ 488,148</u>	<u>\$ 3,072,957</u>

9. Donations

	<u>2023</u>	<u>2022</u>
Restricted Fund		
Government of Alberta Donation Fund	\$ 1,600,000	\$ 1,320,000
Ladd Foundation	90,000	-
Sport Central Association	35,000	35,000
Free play for kids	20,000	10,000
Hockey Canada	-	1,108,736
Comrie's Sports Equipment Bank	-	35,000
Heros Hockey	-	25,000
Alberta Sports Hall of Fame & Museum	-	15,000
	<u>1,745,000</u>	<u>2,548,736</u>
General Fund		
Calgary Flames Sport Bank	35,000	-
Heros Hockey	20,000	10,000
Alberta Sports Hall of Fame & Museum	15,000	-
	<u>70,000</u>	<u>10,000</u>
	<u>\$ 1,815,000</u>	<u>\$ 2,558,736</u>

HOCKEY ALBERTA FOUNDATION

Notes to the Financial Statements

July 31, 2023

10. Charitable Fundraising

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

	<u>2023</u>	<u>2022</u>
Gross contributions received	\$ 432,898	\$ 257,008
Contributions were utilized as follows:		
Event costs	(285,858)	(176,003)
Other operational expenditures	(118,355)	(81,005)
Addition to endowment	(28,685)	-
	<u>\$ -</u>	<u>\$ -</u>

11. Related Party Transactions

During the year the Foundation paid Alberta Amateur Hockey Association ("the Association), which operates as Hockey Alberta, \$60,000 (2022 - \$50,000) for items and services provided through contract and management fees.

The Foundation is subject to significant influence from the Association and the Association has an economic interest in the Foundation. As part of this relationship the Association provides staff and administrative resources to the Foundation and in return the Foundation pays an annual management fee.

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, 2023

12. Financial Instruments

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.

Market risk

The Foundation is exposed to market price risk as the short-term investments are traded in an active market. To mitigate the risk the Foundation has a policy in place that limits certain types of investments to a maximum percentage of total funds invested.

13. 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 ending July 31, 2027, subject to early termination with 60 days' written notice by either party. The management fee is determined annually.