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# **HOCKEY EDUCATION REACHING OUT SOCIETY**

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**Financial Statements**

**August 31, 2013**

## INDEPENDENT AUDITORS' REPORT

To the Members of Hockey Education Reaching Out Society

We have audited the accompanying financial statements of Hockey Education Reaching Out Society, which comprise the statement of financial position as at August 31, 2013, the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of accounting policies and other explanatory information.

### *Management's Responsibility 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

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

### *Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Hockey Education Reaching Out Society as at August 31, 2013 and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Comparative Information*

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that the Hockey Education Reaching Out Society adopted the Canadian accounting standards for not-for-profit organizations on September 1, 2012 with a transition date of September 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial positions as at August 31, 2011 and September 1, 2011, the results of its operations, changes in net assets, and cash flows for the year ended August 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.



**Kanester Johal**  
Chartered Accountants

November 20, 2013  
Burnaby, BC

# HOCKEY EDUCATION REACHING OUT SOCIETY

## Statement of Financial Position

As At	August 31 2013	August 31 2012	September 1 2012
<b>Assets</b>			
Current			
Cash and cash equivalents	\$ 147,119	\$ 509,164	\$ 479,579
HST/GST receivable	26,031	15,302	13,059
Prepaid expenses	6,796	10,113	12,969
	179,946	534,579	505,607
Capital Assets (Note 3)	99,927	109,011	91,937
Incorporation Costs	800	800	800
	\$ 280,673	\$ 644,390	\$ 598,344
<b>Liabilities and Net Assets</b>			
Current			
Accounts payable and accrued liabilities	\$ 7,768	\$ 7,276	\$ 6,812
Payroll liabilities	11,508	12,970	-
	19,276	20,246	6,812
<b>Net Assets</b>			
Invested in Capital Assets	34,892	64,011	26,937
Unrestricted	226,505	560,133	564,595
	261,397	624,144	591,532
	\$ 280,673	\$ 644,390	\$ 598,344

Approved On Behalf Of The Board:

Director: \_\_\_\_\_

Director: \_\_\_\_\_



# HOCKEY EDUCATION REACHING OUT SOCIETY

## Statement of Changes in Net Assets For The Year Ended August 31, 2013

<u>August 31, 2013</u>	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 64,011	\$ 560,133	\$ 624,144
(Deficiency) Excess of revenues over expenditures	-	(324,343)	(324,343)
Amortization	(38,404)	-	(38,404)
Invested in capital assets	9,285	(9,285)	-
Net assets, end of year	\$ 34,892	\$ 226,505	\$ 261,397

<u>August 31, 2012</u>	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 91,937	\$ 499,595	\$ 591,532
(Deficiency) Excess of revenues over expenditures	-	68,644	68,644
Amortization	(36,032)	-	(36,032)
Invested in capital assets	8,106	(8,106)	-
Net assets, end of year	\$ 64,011	\$ 560,133	\$ 624,144

# HOCKEY EDUCATION REACHING OUT SOCIETY

## Statement of Operations For The Year Ended

	August 31 2013	August 31 2012
<b>Revenues</b>		
Donations	\$ 253,045	\$ 628,775
Donations in-kind	29,163	45,500
Investment income	8,431	5,956
	<u>290,639</u>	<u>680,231</u>
<b>Expenditures</b>		
Amortization	38,404	36,032
Bank charges	879	492
Donor recognition	-	280
Equipment repairs and maintenance	23,618	13,571
Ice rink rental	35,117	33,187
Insurance	14,970	9,776
Management expense	-	46,886
Meals - management	9,653	7,281
Meals - volunteers	10,598	18,170
Miscellaneous	10,671	15,802
Office and sundry	9,468	17,695
Professional development	19,673	1,369
Professional fees	15,661	12,289
Program food	7,997	17,434
Program supplies	69,744	101,620
Programming	52,152	55,646
Public awareness	5,142	4,459
Salaries and benefits	180,056	80,871
Scholarships	12,344	12,826
Storage	564	-
Telephone	6,239	8,256
Transportation	28,270	44,945
Travel, conferences and tournaments	106,302	108,732
	<u>657,522</u>	<u>647,619</u>
<b>(Deficiency) Excess of Revenues Over Expenditures Before Other Items</b>	<b>(366,883)</b>	<b>32,612</b>
<b>Other Items</b>		
Loss on disposal of capital assets	(4,963)	-
Other Income	9,099	-
	<u>(362,747)</u>	<u>32,612</u>
<b><u>(Deficiency) Excess of Revenues Over Expenditures</u></b>	<b><u>\$ (362,747)</u></b>	<b><u>\$ 32,612</u></b>

(See accompanying notes to the financial statements)



# HOCKEY EDUCATION REACHING OUT SOCIETY

## Statement Of Cash Flows For The Year Ended

	August 31 2013	August 31 2012
<b>Cash flows from operating activities</b>		
(Deficiency) Excess of Revenues over Expenditures	\$ (362,747)	\$ 32,612
Items not affecting cash		
Amortization	38,404	36,032
Non-cash donations	(25,000)	(45,000)
Loss on disposal of capital assets	4,963	-
	(344,380)	23,644
Change in non-cash working capital		
HST receivable	(10,729)	(2,244)
Prepaid expenses	3,317	2,858
Accounts payable and accrued liabilities	(968)	13,436
	(352,760)	37,694
<b>Cash flows from investing activities</b>		
Additions to capital assets	(9,285)	(8,106)
<b>Increase (decrease) in cash</b>	(362,045)	29,585
<b>Cash and cash equivalents, beginning of period</b>	509,164	479,579
<b>Cash and cash equivalents, end of period</b>	\$ 147,119	\$ 509,164
<b>Supplemental Cash Flow Information:</b>		
Donations in-kind	\$ 29,163	\$ 45,500

(See accompanying notes to the financial statements)



# HOCKEY EDUCATION REACHING OUT SOCIETY

## Notes To The Financial Statements

August 31, 2013

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### 1. Nature of Operations

Hockey Education Reaching Out Society ("the Society") is committed to empowering children of diverse ethnicity from economically challenged neighbourhoods in Vancouver, Sunshine Coast, Calgary, Edmonton, Winnipeg, Toronto and Montreal through ice hockey.

The Society's premise is to use ice hockey as a catalyst to attract youth to a program offering support for education, self esteem building and life skills training.

The Society is a not-for-profit organization and a registered charity incorporated under the Society Act of Canada, as such the Society is exempt from income taxes.

### 2. Summary Of Significant Accounting Policies

#### Adoption of Accounting Standards for Not-For-Profit Organizations

Effective September 1, 2012, the Organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian Accounting Standards for not-for-profit organizations. These are the Organization's first financial statements prepared in accordance with these accounting standards for not-for-profit organizations and the transitional provisions of section 1501. First-time Adoption standards have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemption and limited retrospective exceptions. The accounting policies set out below in the significant accounting policies note have been applied in preparing the financial statements for the year ended August 31, 2013, the comparative information presented in these financial statements for the year ended August 31, 2012 and in the preparation of an opening balance sheet at September 1, 2011 (the Society's date of transition). We were not engaged to report on the restated comparative information, and as such, it is unaudited.

The Organization issued financial statements for the year ended August 31, 2011 using generally accepted accounting principles prescribed by CICA Handbook Part V - Pre-changeover accounting standards. The adoption of new accounting standards not-for-profit organizations had no impact on the previously reported assets, liabilities and net assets of the Organization, and accordingly; no adjustments have been recorded in the comparative statement of financial position, statement of operations, and statement of changes in net assets. Certain of the Organization's disclosures included in these financial statements reflect the new disclosure requirements of accounting standards for not-for-profit organizations.

The Organization did not elect to take any optional exemptions on the date of transition from accounting standards in Part II (ASPE) of the CICA Handbook, as those exemptions are not applicable to the Organization.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for Not for Profit Organizations, the most significant of which are described as follows:

#### Cash and cash equivalents

Cash and cash equivalents include cash and short-term notes with terms to maturity of 90 days or less at date of acquisition.



# HOCKEY EDUCATION REACHING OUT SOCIETY

## Notes To The Financial Statements

August 31, 2013

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### Capital Assets

Capital assets are recorded at cost except for donated assets, which are recorded at fair value at the date of acquisition. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Computers	- 40% declining balance
Hockey equipment	- 30% declining balance

Only 50% of amortization is recognized in the year of acquisition.

### Revenue Recognition

The Society uses the deferral method of accounting for contributions. Under this method, restricted contributions are recognized as revenue in the period the related expenditure is incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Note that in there are no restricted contributions to date.

Investment income is recognized on an accrual basis.

### Donated Goods and Services

From time to time the Society receives contributions by way of donated goods and services.

The Society recognizes these donated contributions at their fair market value where the fair value can readily be obtained and they would be otherwise purchased if not donated. When an estimated fair value cannot readily be obtained, the related contribution would be recognized at nominal value.

The Society relies on time donated by volunteers for a portion of its operations. The value of volunteers' donated services thereto cannot be reasonably estimated and therefore is not recorded in these financial statements.

## 2. Significant Accounting Policies

### Management Estimates

The preparation of financial statements in conformity with the Canadian accounting standards for non-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 amounts of the revenue and expenses recorded during the reporting periods. The most significant application of estimates in these financial statements are the determination of the fair value of donated good and services and the determination of the useful lives of property and equipment. Actual results could differ from those estimates.

### Financial Instruments

The Society's financial instruments consist of cash and cash equivalents, HST/GST receivable and accounts payable and accrued liabilities. Financial instruments are recorded at fair value on initial recognition. The Organization has elected to carry all financial instruments at fair value.

# HOCKEY EDUCATION REACHING OUT SOCIETY

## Notes To The Financial Statements August 31, 2013

### 2. Significant Accounting Policies (continued)

Financial assets are assessed for impairment on an annual basis. If there is an indicator of impairment, and if the Organization determines there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the: (i) present value of the expected cash flows, (ii) the amount that could be realized from selling the financial asset or (iii) the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### 3. Capital Assets

August 31, 2013	Cost	Accumulated Amortization	Net Book Value
Computers	\$ 17,872	\$ 12,447	\$ 5,425
Hockey equipment	230,440	135,938	94,502
	<u>\$ 248,312</u>	<u>\$ 148,385</u>	<u>\$ 99,927</u>

August 31, 2012	Cost	Accumulated Amortization	Net Book Value
Computers	\$ 13,723	\$ 10,213	\$ 3,510
Hockey equipment	213,925	108,424	105,501
	<u>\$ 227,648</u>	<u>\$ 118,637</u>	<u>\$ 109,011</u>

### 4. Financial Instruments

The Society's risk exposure and the impact on the Society's financial instruments are summarized as below:

#### Credit Risk

Credit risk is the risk to the Society of financial loss due to a counterparty to a financial instrument failing to meet its contractual obligations. The Society is not exposed to significant credit risk due to the short term nature of its cash and cash equivalents nor on its GST receivable owed from the federal government.

# HOCKEY EDUCATION REACHING OUT SOCIETY

## Notes To The Financial Statements August 31, 2013

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### 4. Financial Instruments (continued)

#### Liquidity Risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The majority of the Society's assets are held in cash and cash equivalents that can readily be liquidated and therefore the Society's liquidity risk is minimal.

#### Market Risk

Market risk is the risk that changes in market prices due to foreign exchange rate changes, interest rates and equity prices will affect the Society's income or the value of its financial instruments.

##### i) Other Price Risk

The Society is not engaged in selling goods and services to fund its operations and therefore, it is not exposed to the risk due to any price fluctuation.

##### ii) Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Society's majority of donations and expenses are dominated by Canadian dollars and therefore it is not exposed to currency risk.

##### iii) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Society does not have any loan outstanding and therefore is not exposed to interest rate risk.

### 5. Commitments

The Society received a commitment for contributions of \$1,000,000 towards its operations over the next 4 fiscal years (2014 - \$300,000, 2015 - \$300,000, 2016 - \$200,000 and 2017 - \$200,000). There are no restrictions on the use of these contributions, collection is reasonably assured and will amounts will be recorded as received..

### 6. Comparative Figures

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