



45515 Knight Road, Chilliwack BC V2R 5L2
Tel: (604) 858-4990 Fax: (604) 858-4334
Toll Free: 866-545-4990
Email: general@lltcpa.ca
www.lltcpa.ca

Casey Langbroek, FCPA, FCGA
Kurt Louwerse, CPA, CGA
Dwayne Thiessen, CPA, CGA
David Langbroek, CPA, CGA

October 31, 2018

Chilliwack Minor Hockey Association
P.O. Box 2416, Stn Sardis Main
Chilliwack, BC
V2R 1A7

Attention: Board of Directors

Dear Sirs/Madams:

Re: Audit for Year Ended April 30, 2018
Chilliwack Minor Hockey Association

We have completed the audit of the Association's financial statements for the year ended April 30, 2018. Enclosed are several copies of the financial statements for your use. Should you require additional copies, these can be made available to you. There are several matters that we wish to bring to your attention in this letter.

1. Financial Statements

The financial statements indicate that the Association, through its Board of Directors, has exercised a reasonable degree of control over its financial resources, however, there are some concerns discussed below in the Accounting Records and Controls section.

The operating fund revenues totaled \$792,574, an increase of \$22,613 over the previous year. Operating fund expenses totaled \$864,890, an increase of \$31,552 over the previous year. This increase is mainly due to purchases of jerseys and increases in wage costs.

The revenue for the provincial travel fund from the vending machines was \$1,902, an increase of \$1,902 from the prior year. Included in this revenue are proceeds from vending machines for sales from April 2015 to April 2018. Travel costs paid out of the fund were \$nil. The ending balance in the fund was \$8,902 compared to the fund's maximum limit of \$10,000.

2. Accounting Records and Controls

In general, the accounting records of the Association were kept in good order. We have observed significant improvements being implemented since our previous audit. We wish to thank the Office Administrator Brittany Rhodes for her assistance with our work and her eagerness to engage in improving the recordkeeping and controls of the Association.

a) Detective Controls

The best preventive controls exist when duties can be completely segregated. If it were feasible, we would recommend that the handling of cash be completely segregated from the recordkeeping functions. Since this is likely not feasible for the Association, we would alternatively recommend effective detective controls be used. These controls are designed to detect and correct undesirable events after they occur. Examples of good detective controls include monthly reviews by the Treasurer of the general ledger and the monthly reconciliations of the bank accounts, receivables, and payables. We have noted that you are in the process of improving the documentation of some of these reviews. If you wish to discuss the effectiveness of specific controls, do not hesitate to contact our office.

b) Cash Receipts

When accepting cash payments, a cash receipt should be immediately issued out of a cash receipt book. Receipts provide the Association with documentation of a cash payment from a member. The individual issuing the receipt should initial the receipt to provide documentation.

c) Safeguarding

We noted that the Sage 50 Accounting file is password protected. This will help to prevent unauthorized access. The password should be changed at least annually for added security.

d) Computer Backups

We noted that daily backups are stored on a flash drive in the office and a backup is stored off-site in case of fire, flood, theft, etc. This will help minimize the impact of a system crash or a loss of data.

e) Accounts Receivable

We recommend that your accounts receivable listing be reviewed by the Treasurer at least monthly. Any receivables which remain outstanding for more than a month should be brought to the Board to determine their collectability. The allowance for doubtful accounts should be adjusted as required each month. This will ensure the accounts receivable listing is accurate and it will identify delinquent accounts early that should be followed up on while there may still be an opportunity to collect the balance.

f) Individual Team Financial Statements and Referee Fee Reconciliations

All team financial statements should be reviewed, with a particular focus placed on the reasonableness of the referee fees. The treasurer should do this as the teams submit their reports. In order to incentivize teams to be more diligent in submitting their financial reports, we recommend you consider requiring each team to pay a refundable deposit to the Association at the beginning of the year, to be returned at the end of the year once the financial report is submitted. We noted that Brittany has prepared a reconciliation of referee fees paid by the teams. There has been an improvement in the collection of unused referee fees since our last audit. However, we still identified several teams that were delinquent in returning unused referee fees.

g) Hockey Canada Roster Reconciliations

We recommend that the Treasurer perform a reconciliation of 2018/2019 registration fees once the rosters are finalized to ensure that the registration fees revenue recorded in the general ledger is accurate. Alternatively, the Administrator could perform this reconciliation if the Treasurer reviews the reconciliation.



h) **Tournament Reconciliations**

We recommend that the financial results of each tournament be reviewed by the Treasurer upon completion of the tournament. The funds in the tournament account in excess of a \$500 float should be closed to the Hockey Fund account upon completion of the tournament.

i) **Office Administrator Contract**

We noted that the Office Administrator does not have employment contract. A contract should be prepared and signed by a member of the board and the Office Administrator as soon as possible.

3. **Insurance**

We recommend that you review your insurance policy on an annual basis with your insurance agent. You should ensure that there is adequate insurance in place to comply with the City of Chilliwack's Partnering Agreement.

4. **Non-Profit Organization (NPO) Information Return**

We have prepared the Non-Profit Organization (NPO) Information Return and have filed it before the filing deadline of October 31, 2018.

5. **Corporate Tax Return**

We have prepared the Corporate Tax Return and will file it before the filing deadline of October 31, 2018.

6. **WorkSafe BC Reporting**

The Association is currently classified as a "Restaurant or Other Dining Establishment" on WorkSafe BC reports. This classification is no longer valid as the Association does not operate concessions any more. Please contact WorkSafe BC to have your classification changed.

7. **Gaming Grant Reports**

We wish to remind you of the requirement to file the Gaming Account Summary Report before or with your next application for a Community Gaming Grant. As well, we would encourage you to review the recommendations in the letter from the Ministry dated September 27, 2017.

8. **Taxable Benefits**

If there are any assets owned by the Association that are used personally by any of the employees or Directors, a taxable benefit should be included on a T4 slip for that individual. For example, if the individuals that use

Association cell phones do not also have personal cell phones, then their personal use should be estimated so that a taxable benefit can be included in their employment income.

9. **Bookkeeping**

We have enclosed your year-end adjusting entry for the Association, which must be recorded using a date of April 30, 2018. Please contact our office if you need assistance. Please review the items of concern below:

- a) Please ensure that no further bookkeeping entries are posted to the previous fiscal year after the year-end records are submitted to our office. The only entry that should be recorded in the previous fiscal year is the year-end adjusting journal entry that we have provided you. If entries are made to the previous year, we need to determine the impact on the current year's financial statements and propose an adjusting journal entry to correct the difference in the current year because the previous year's figures were finalized without these late adjustments.
- b) Your credit card receivable, cash to be deposited, and cheques to be deposited ledger accounts should be reconciled each month to ensure all expected receivables and deposits on hand are deposited into the bank account intact. Any discrepancy is easier to investigate on a monthly basis, than on an annual basis. A list of cheques to be deposited should be maintained at all times.
- c) When you prepare your monthly bank reconciliations please ensure that any stale-dated cheques, those issued six or more months before the reconciliation date, are reversed. A new cheque should be issued if the obligation still exists.
- d) We noted that your accounts receivable sub-ledger does not reconcile to the general ledger control account (#1200). This \$160 variance should be adjusted to ensure that the integrity of your records is maintained. If you require assistance, please contact our office.
- e) We record year end accounts receivable adjusting entries to account #1201. This account should be cleared out each year through the accounts receivable sub-ledger. If you require assistance, please contact our office.
- f) All jersey and clothing purchases should be expensed to account #5040 Hockey Supplies instead of recording them to inventory account #1550 Jersey/Clothing.
- g) We noted that there are many old items and adjustments on the bank reconciliation for the main account as at April 30, 2018. We recommend that these items be removed from the reconciliation module so that only actual outstanding deposits and cheques are included on the reconciliation. If you require assistance, please contact our office.
- h) We noted that the accounts payable to the City of Chilliwack do not reconcile to the records of the City. Currently, ice and room rental expense is not recorded in the general ledger until a payment is made and the amount is not usually allocated correctly to the different ice and room rental expense accounts. Please ensure that each invoice from the City is entered separately into the accounts payable module in Sage and when a payment is made it is applied against the specific invoices in the accounts payable module that are being paid.



We have completed our engagement for the 2018 fiscal year. We have enclosed a client representation letter for your review, signature, and return to our office. We would like to take this opportunity to thank you for your continuing patronage and wish the Association a successful 2018/2019 hockey season.

Sincerely,

LLT LLP

A handwritten signature in black ink, appearing to be 'D. Thiessen', with a long, sweeping horizontal line extending to the right.

Dwayne Thiessen, CPA, CGA
Partner

DT/ms
Encl.