

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION**

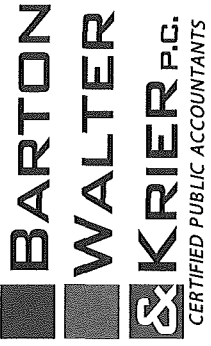
**License # 00776
MN Taxpayer ID# 4515956
Federal ID# 41-1434632**

**REGULATORY BASIS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

Years Ended March 31, 2017 and 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Regulatory Basis Financial Statements:	
Statements of Assets, Liabilities and Profit Carry-Over	3
Statements of Revenues, Expenses and Changes in Profit Carry-Over	4
Notes to Regulatory Basis Financial Statements	5
Supplementary Information:	
Independent Auditor's Report on Supplementary Information	9
Reconciliation of Games Used	10
Analysis of Allowable Expenses and Star Rating	11
Reconciliation of Profit Carry-Over	12
Independent Auditor's Report on Compliance with Regulatory Checklist Questionnaire	13
Regulatory Checklist Questionnaire	14
Independent Auditor's Report on Internal Control	15



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Blaine Youth Hockey Association
Blaine, Minnesota

We have audited the accompanying financial statements of the Lawful Gambling Fund of Blaine Youth Hockey Association, which comprise the regulatory basis statements of assets, liabilities, and profit carry-over as of March 31, 2017 and 2016, and the related regulatory basis statements of revenues, expenses, and changes in profit carry-over for the years then ended, and the related notes to the regulatory basis financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting as described in Note 1, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 the auditor's 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, the auditor considers 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lawful Gambling Fund of Blaine Youth Hockey Association as of March 31, 2017 and 2016, and the results of its operations for the years then ended in accordance with the regulatory basis of accounting described in Note 1

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors, members, and management of Blaine Youth Hockey Association, and Minnesota Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Barbara White & Rice, P.C.

Maple Grove, Minnesota
September 28, 2017

Principal Auditor James N. Stelzer

LAWFUL GAMBLING FUND OF
 BLAINE YOUTH HOCKEY ASSOCIATION
 (License #00776)
 (MIN Taxpayer ID# 4515956)
 (Federal ID# 41-1434632)

STATEMENTS OF ASSETS, LIABILITIES, AND PROFIT CARRY-OVER
 REGULATORY BASIS

March 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash		
Cash in checking	\$ 32,603	\$ 75,173
Game banks	29,000	28,500
Total cash	61,603	103,673
Prepaid expenses	180	140
TOTAL ASSETS	\$ 61,783	\$ 103,813

LIABILITIES AND PROFIT CARRY-OVER

	<u>2017</u>	<u>2016</u>
LIABILITIES	\$ -	\$ -
PROFIT CARRY-OVER	61,783	103,813
TOTAL LIABILITIES AND PROFIT CARRY-OVER	\$ 61,783	\$ 103,813

See Notes to Regulatory Basis Financial Statements

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION**
(License #00776)
(MN Taxpayer ID# 4515956)
(Federal ID# 41-1434632)

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN PROFIT CARRY-OVER
REGULATORY BASIS**

Years Ended March 31, 2017 and 2016

	2017	2016
	Amount	Amount
	%	%
REVENUES		
Bar bingo receipts	\$ 460,295	\$ 411,107
Interest income	38	40
Paddleticket receipts	84,600	81,390
Pull-tab receipts	13,893,507	13,519,102
Raffle receipts	8,470	14,320
Tipboards	26,700	6,000
TOTAL REVENUES COLLECTED	14,473,610	14,031,959
COST OF REVENUES		
Bar bingo prizes	394,466	344,736
Paddleticket prizes	56,300	54,340
Pull-tab prizes	11,700,154	11,324,595
Tipboard prizes	17,800	4,000
TOTAL COST OF REVENUES	12,168,720	11,727,671
GROSS PROFIT	2,304,890	2,304,288
ALLOWABLE EXPENSES	631,219	605,071
INCOME BEFORE LAWFUL PURPOSE AND BOARD APPROVED EXPENDITURES	1,673,671	1,699,217
LAWFUL PURPOSE EXPENDITURES		
GAMBLING TAXES		
State 8 5% tax	8,499	9,593
State regulatory fees	18,235	15,831
State combined receipts tax	773,982	729,594
TOTAL GAMBLING TAXES	800,716	754,018
PROGRAM EXPENDITURES	914,985	900,744
TOTAL LAWFUL PURPOSE EXPENDITURES	1,715,701	1,654,762
REVENUES IN EXCESS OF EXPENSES	(42,030)	44,455
PROFIT CARRY-OVER - BEGINNING OF YEAR	193,813	1,727
APPROVED ADJUSTMENTS. See Note 1	-	57,631
PROFIT CARRY-OVER - END OF YEAR	\$ 61,783	\$ 103,813

See Notes to Regulatory Basis Financial Statements

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION**
(License #00776)
(MIN Taxpayer ID# 4515956)
(Federal ID# 41-1434632)

NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The Blaine Youth Hockey Association (the Organization) established the charitable gambling operation for the purpose of serving the City of Blaine and surrounding communities through support of youth athletics and various program services. For the year ended March 31, 2017, the Organization operated lawful gambling at four permitted gambling sites to increase its program services and thereby better serve the community. The forms of lawful gambling conducted by the Organization for the years ended March 31, 2017 and 2016 were pull-tabs, paddletickets, tipboards, bar bingo, and raffles. Revenues in excess of allowable expenses generated by the Lawful Gambling Fund can only be used for lawful purposes and board approved expenditures as defined by Minnesota statutes.

Basis of Presentation - The regulatory basis of accounting is the basis of accounting prescribed by the State of Minnesota, which is a comprehensive basis of accounting other than U S generally accepted accounting principles. The regulatory basis of accounting differs from the accrual method of accounting in that under the regulatory method, substantially all costs are expensed when paid. Also, under the regulatory method, the cost of equipment is expensed, whereas under U S generally accepted accounting principles, such expenditures are capitalized and depreciated over the asset's estimated useful life.

Approved Adjustments - Effective July 1, 2015, the Organization began expensing state gambling taxes when paid to follow monthly reporting forms developed by the Gambling Control Board, rather than the method prescribed by Statute 349.19 which requires these taxes to be expensed when incurred. The effect of this adjustment was \$57,631 for the year ended March 31, 2016.

Use of Estimates - The preparation of financial statements in conformity with the regulatory basis of accounting 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. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash consists of cash on hand and demand deposits with maturities of three months or less with financial institutions. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash.

Starting Game Banks - Starting game banks consist of imprest amounts which are used to fund open play of games.

(Continued)

LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
(License #00776)
(MN Taxpayer ID# 4515956)
(Federal ID# 41-1434632)

NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Prepaid gaming prizes** - Prepaid gaming prizes represent amounts paid for non-cash prizes that have not yet been awarded
- **Inventories** - The Organization accounts for inventory using the cash basis and purchases are expensed when paid as required under the regulatory basis of accounting
- **Bingo Receipts** - Gross receipts represent amounts collected from customers net of bingo coupons and discounts
- **Raffle Receipts** - Raffle receipts and the related prizes are reported in the period the raffle is conducted
- **Subsequent Events** - Management has evaluated subsequent events from April 1, 2017 through September 30, 2017, the date the financial statements were available to be issued. No material events or transactions occurred during this period which would render these financial statements to be misleading.

(2) INVENTORIES

The Organization expenses the cost of game purchases, including sales tax, on the cash basis. In addition, the Organization maintains a perpetual inventory of games on hand. These games are extended at cost excluding sales tax and consist of the following at March 31, 2017 and 2016:

	2017		2016	
	Number of Games	Extended Cost	Number of Games	Extended Cost
Pull-Tabs	39	\$ 1,977	48	\$ 2,231
Paddletickets	5	\$ 90	9	\$ 162
Tipboards	2	\$ 10	12	\$ 60

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION**
(License #00776)
(MN Taxpayer ID# 4515956)
(Federal ID# 41-1434632)

NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS

(3) COMMITMENTS

The Organization leases space for the sites of its lawful gambling pull-tab booths within the City of Blaine and surrounding communities. The lease agreements at Ole Piper Inn, Broadway Pizza, Wild Bills and Axels Bonfire require monthly rent expense of 10% of gross profits up to a maximum of \$1,750 and run concurrently with the perpetual premise permits and can be terminated by either party with a thirty day notice. During the year ended March 31, 2016, the Organization terminated its lease agreement and ceased operations at The Hydrant. Rent expense for the years ended March 31, 2017 and 2016 was \$68,371 and \$69,298, respectively.

(4) INCOME TAXES

The Organization is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. However, the Organization is required to pay state and federal income taxes on unrelated business income. Under the regulatory method, income taxes are expensed when paid. At March 31, 2017, the Organization had net operating loss carryforwards available to reduce future unrelated business income of approximately \$227,000, which begin to expire in 2020.

The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits in progress. The unrelated business income tax returns for the past three and one-half years are open to examination.

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION**
(License #00776)
(MN Taxpayer ID# 4515956)
(Federal ID# 41-1434632)

NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS

(5) GAMES TESTED AND RESULTS

Subsequent to year-end, the Organization's independent auditors selected forty pull-tab games, selected from all active sites, including games with unsold tickets, three paddleticket games, four tipboard games and four bingo sessions to be tested as a part of their audit. Of the forty pull-tab games tested, the deposit for one game was not made within four days of the game completion. The exceptions of their testing, as reported to the Organization are as follows

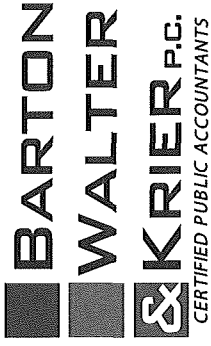
Game Serial #	Type of Game	Unsold Tickets as Reported on		Unsold Tickets as		Prizes	
		Gambling Tax Return		Tested	Reported	Paid as	Tested
5M34142	Pull-tab	\$ 2,270	\$ 2,271	\$ 950	\$ 950	\$ 950	\$ 950
2983818	Pull-tab	6,412	6,404	3,944	3,944	3,944	3,944
2917028	Pull-tab	4,496	4,484	7,428	7,428	7,428	7,428
4824097	Pull-tab	1,044	1,044	1,527	1,527	1,526	1,526
5N37775	Pull-tab	1,008	1,009	2,620	2,620	2,620	2,620

On March 31, 2017, the inventory of games was observed by two members of the Organization not directly involved in the gambling operations. No exceptions in the Organization's perpetual inventory records were noted. In addition, cash on hand of \$29,000 was counted.

(6) RELATED PARTY TRANSACTIONS

The Organization's Lawful Gambling Fund donated \$810,000 and \$800,000 to its parent Organization during 2017 and 2016 to further promote the parent's mission. These amounts were pre-approved by the Gambling Control Board and are included in program expenditures. The remaining program expenditures were to unrelated organizations.

SUPPLEMENTARY INFORMATION



**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors and Members
Blaine Youth Hockey Association
Blaine, Minnesota

We have audited the financial statements of the Lawful Gambling Fund of Blaine Youth Hockey Association as of and for the years ended March 31, 2017 and 2016, and our report thereon dated September 28, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 10 through 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Directors, members and management of Blaine Youth Hockey Association, and Minnesota Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Barton, Walter & Krier P.C.

Maple Grove, Minnesota
September 28, 2017



**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION**
(License #00776)
(MN Taxpayer ID# 4515956)
(Federal ID# 41-1434632)

**RECONCILIATION OF GAMES USED
REGULATORY BASIS**

Years Ended March 31, 2017 and 2016

	2017		2016	
	Amount	Number of Games	Amount	Number of Games
PULL-TABS				
COST OF GAMES USED				
Beginning inventories	\$ 2,231	48	\$ 1,633	35
Purchases	<u>143,355</u>	<u>2,893</u>	<u>142,316</u>	<u>2,930</u>
Less ending inventories	<u>145,586</u>	<u>2,941</u>	<u>143,949</u>	<u>2,965</u>
	1,977	39	2,231	48
Games used	<u>\$ 143,609</u>	<u>2,902</u>	<u>\$ 141,718</u>	<u>2,917</u>
RECONCILIATION OF GAMES USED				
Games used per books above		2,902		2,917
Games used and reported per Schedule B-2s		<u>2,902</u>		<u>2,917</u>
DIFFERENCE OR POSSIBLE UNREPORTED GAMES		<u>-</u>		<u>-</u>
PADDLETICKETS				
COST OF GAMES USED				
Beginning inventories	\$ 162	9	\$ 90	5
Purchases	<u>1,253</u>	<u>65</u>	<u>1,357</u>	<u>71</u>
Less ending inventories	<u>1,415</u>	<u>74</u>	<u>1,447</u>	<u>76</u>
	90	5	162	9
Games used	<u>\$ 1,325</u>	<u>69</u>	<u>\$ 1,285</u>	<u>67</u>
RECONCILIATION OF GAMES USED				
Games used per books above		69		67
Games used and reported per Schedule B-2s		<u>69</u>		<u>67</u>
DIFFERENCE OR POSSIBLE UNREPORTED GAMES		<u>-</u>		<u>-</u>
TIPBOARDS				
COST OF GAMES USED				
Beginning inventories	\$ 60	12	\$ -	-
Purchases	<u>902</u>	<u>168</u>	<u>280</u>	<u>52</u>
Less ending inventories	<u>962</u>	<u>180</u>	<u>280</u>	<u>52</u>
	10	2	60	12
Games used	<u>\$ 952</u>	<u>178</u>	<u>\$ 220</u>	<u>40</u>
RECONCILIATION OF GAMES USED				
Games used per books above		178		40
Games used and reported per Schedule B-2s		<u>178</u>		<u>40</u>
DIFFERENCE OR POSSIBLE UNREPORTED GAMES		<u>-</u>		<u>-</u>

LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
(License #00776)
(MN Taxpayer ID# 4515956)
(Federal ID# 41-1434632)

**ANALYSIS OF ALLOWABLE EXPENSES AND STAR RATING
REGULATORY BASIS**

Years Ended March 31, 2017 and 2016

	2017	2016
GROSS PROFIT	<u>\$ 2,304,890</u>	<u>\$ 2,304,288</u>
ALLOWABLE EXPENSES		
Accounting and legal services	\$ 27,861	\$ 21,594
Advertising	14,074	16,897
Bank charges and miscellaneous supplies	21,075	14,525
Bond, license renewal, permits and insurance	120	229
Cash shortages	4,408	6,900
Compensation and payroll taxes	344,805	324,436
Cost of games	149,230	146,792
Gambling equipment	1,275	4,400
Rent	68,371	69,298
TOTAL ALLOWABLE EXPENSES	<u>\$ 631,219</u>	<u>\$ 605,071</u>
LAWFUL PURPOSE EXPENDITURES		
PERCENTAGE OF LAWFUL PURPOSE EXPENDITURES TO GROSS PROFIT	<u>74.4</u>	<u>71.8</u>
STAR RATING	5 Stars	5 Stars

NOTE The above star rating is based on the entity's fiscal year State statute determines the star rating based on the year ending June 30 Accordingly, the reportable star rating may be different.

LAWFUL GAMBLING FUND OF
 BLAINE YOUTH HOCKEY ASSOCIATION
 (License #00776)
 (MN Taxpayer ID# 4515956)
 (Federal ID# 41-1434632)

RECONCILIATION OF PROFIT CARRYOVER
 REGULATORY BASIS

Years Ended March 31, 2017 and 2016

	2017	2016
ADDITIONS		
Cash in gambling bank accounts	\$ 32,603	\$ 75,173
Cash in starting game banks	29,000	28,500
Prepaid expenses	180	140
TOTAL ADDITIONS	61,783	103,813
SUBTRACTIONS	-	-
PROFIT CARRY-OVER FROM FINANCIAL STATEMENTS	61,783	103,813
PROFIT CARRY-OVER FROM GAMBLING CONTROL BOARD REPORT	61,783	103,813
VARIANCE FROM BALANCE	\$ -	\$ -



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REGULATORY CHECKLIST QUESTIONNAIRE**

To the Board of Directors and Members
Blaine Youth Hockey Association
Blaine, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the regulatory basis financial statements of the Lawful Gambling Fund of Blaine Youth Hockey Association, which comprise the statements of assets, liabilities and profit carry-over as of March 31, 2017 and 2016 and the related statements of revenues, expenses and changes in profit carry-over for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2017

In connection with our audit, nothing came to our attention that caused us to believe that the Lawful Gambling Fund of Blaine Youth Hockey Association failed to comply with the terms, covenants, provisions, or conditions of the regulatory checklist questionnaire per Minnesota Rule 8122 055 Subp 6B, inclusive, as included on page 14, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Organization's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the indenture, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Board of Directors, members and management of Blaine Youth Hockey Association, and Minnesota Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Barton, Walter & Krier, P.C.

Maple Grove, Minnesota
September 28, 2017

REGULATORY CHECKLIST QUESTIONNAIRE

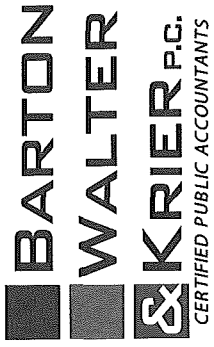
Minnesota Rule 8122.0550 Subp. 6B

NAME OF ORGANIZATION Blaine Youth Hockey Association

ORGANIZATION LICENSE NUMBER 00776 DATE OF AUDIT OR REVIEW March 31, 2017

Instructions Based on the information obtained during the course of the audit, respond to the following statements for the period being audited. If there was not sufficient information available during the audit to respond to a statement, circle "N/A" for that statement

- | | | | | |
|---|---|---|----|---|
| 1 | The organization conducted gambling only at sites for which it had obtained a premises permit or a one-day off-site permit | <input checked="" type="checkbox"/> Yes | No | N/A |
| 2 | The organization had a licensed gambling manager at all times gambling was conducted | <input checked="" type="checkbox"/> Yes | No | N/A |
| 3 | A lessor, a member of a lessor's immediate family, or an employee of a lessor was not a gambling manager of the organization | <input checked="" type="checkbox"/> Yes | No | N/A |
| 4 | The organization's gambling manager was bonded for an amount of at least \$10,000 | <input checked="" type="checkbox"/> Yes | No | N/A |
| 5 | Checks or electronic fund transfers for the expenditure of gross profits from gambling were signed by at least two active members of the organization who have been authorized to sign checks or transmittals | <input checked="" type="checkbox"/> Yes | No | N/A |
| 6 | The organization did not pre-sign gambling account checks | <input checked="" type="checkbox"/> Yes | No | N/A |
| 7 | The organization did not use signature stamps to sign gambling account checks | <input checked="" type="checkbox"/> Yes | No | N/A |
| 8 | If the organization has terminated all gambling activity, a termination plan has been filed with the Gambling Control Board | Yes | No | <input checked="" type="checkbox"/> N/A |
| 9 | The organization has paid all rent for the lease of premises in accordance with its lease agreement(s) | <input checked="" type="checkbox"/> Yes | No | N/A |



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and Members
Blaine Youth Hockey Association
Blaine, Minnesota

In planning and performing our audit of the regulatory basis financial statements of the Lawful Gambling Fund of Blaine Youth Hockey Association (the Organization) as of and for the year ended March 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entry's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Fund's internal control to be a material weakness:

Oversight of the Financial Reporting Process

The Board of Directors and management share the responsibility for the Organization's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The Organization engaged us to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, we cannot be considered part of the Organization's internal control system. As part of its internal control over the preparation of its financial statements, the Organization must perform review procedures to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of the regulatory basis of accounting and knowledge of the Organization's activities and operations.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Organization's internal control to be significant deficiencies.

Segregation of Duties

Although the small size of the Organization's staff limits the extent of the segregation of duties, we believe certain steps can be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of the transaction. Consideration should be given to getting more members of the Organization involved in the gambling operations to ensure adequate internal oversight is maintained.

Delinquent Deposit

During our testing of games, we discovered one (out of 40 tested) delinquent deposit was made for games played. The Minnesota Gambling Control Board requires deposits to be made within four days of game completion. We recommend the Organization monitor deposits to insure all deposits have been made in a timely manner.

* * * * *

This communication is intended solely for the information and use of management, the Board of Directors, members, others within the Organization, and Minnesota Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Barton, Walter & Krier, P.C.

BARTON, WALTER & KRIER P.C.
Maple Grove, Minnesota
September 28, 2017

