

BLAINE YOUTH HOCKEY ASSOCIATION
LAWFUL GAMBLING FUND
FINANCIAL STATEMENTS - REGULATORY BASIS
AND INDEPENDENT AUDITORS' REPORT
For The Year Ended March 31, 2020
LICENSE #00776
MINNESOTA ID #4515956
FEDERAL ID #41-1434632

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INDEPENDENT AUDITORS' REPORT

To the Officers and Members
Blaine Youth Hockey Association
Blaine, MN

We have audited the accompanying statement of the Lawful Gambling Fund of the Blaine Youth Hockey Association (a non-profit corporation), which comprise the statement of assets, liabilities and profit carryover - regulatory basis as of March 31, 2020, and the related statement of revenues, expenses and changes in profit carryover - regulatory basis for the year then ended, and the related notes to the 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.

Auditors' 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 our audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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.

Basis for Qualified Opinion

The Organization conducts electronic gaming. The distributor of these games electronically calculates the fees, receipts and prizes paid as a service organization. We were unable to obtain sufficient appropriate audit evidence to ensure the accuracy of the data provided by the service organization.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Qualified Opinion

In our opinion, except for the possible effects of relying on the service organization for electronic gaming, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and profit carryover of the Lawful Gambling Fund of the Blaine Youth Hockey Association as of March 31, 2020, and the results of its operations and changes in its profit carryover for the year then on the 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

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



October 15, 2020

Lake Elmo, Minnesota

**BLAINE YOUTH HOCKEY ASSOCIATION
LAWFUL GAMBLING FUND
STATEMENT OF ASSETS, LIABILITIES
AND PROFIT CARRYOVER - Regulatory Basis
MARCH 31, 2020**

ASSETS

<u>ASSETS</u>	<u>2020</u>
Gambling Checking Accounts	\$ 42,312.91
Merchandise Prize Inventory	6,472.46
Electronic Bingo Prizes Receivable from Provider	<u>78.08</u>
Total Assets	<u>\$ 48,863.45</u>

LIABILITIES AND PROFIT CARRYOVER

<u>PROFIT CARRYOVER</u>	
Profit Carryover - Beginning	\$ 73,344.93
Less: Excess Expenses over Revenues	<u>(24,481.48)</u>
Profit Carryover - Ending	<u>\$ 48,863.45</u>
Total Liabilities and Profit Carryover	<u>\$ 48,863.45</u>

SEE ACCOMPANYING NOTES

**BLAINE YOUTH HOCKEY ASSOCIATION
LAWFUL GAMBLING FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN PROFIT CARRYOVER - Regulatory Basis
For The Year Ended March 31, 2020**

Revenues	2020	
Pull Tab Receipts	\$ 14,067,552.00	83.08%
Electronic Pull Tab Receipts	2,237,141.25	13.21%
Electronic Bingo Receipts	31,856.25	0.19%
Bingo Receipts	520,577.00	3.07%
Paddleticket Receipts	68,280.00	0.40%
Raffle Receipts	9,280.00	0.05%
Interest	36.30	0.00%
	<hr/>	<hr/>
Revenues Collected	\$ 16,934,722.80	100.00%
 Cost of Revenues		
Pull Tab Prizes	\$ 11,940,259.00	70.50%
Electronic Pull Tab Prizes	1,923,127.25	11.36%
Electronic Bingo Prizes	27,077.82	0.16%
Bingo Prizes	409,642.23	2.42%
Paddleticket Prizes	45,500.00	0.27%
	<hr/>	<hr/>
Cost of Revenues	\$ 14,345,606.30	84.71%
 Gross Profit	 \$ 2,589,116.50	 15.29%
Allowable Expenses	<hr/> 807,519.65	<hr/> 4.77%
 Revenues In Excess of Allowable Expenses	 \$ 1,781,596.85	 10.52%
 Lawful Purpose Expenditures		
Gambling Taxes		
MN Combined Rec Tax	\$ 881,376.00	5.20%
MN 8.5% Tax	12,421.00	0.07%
Regulatory Fee	21,834.00	0.13%
Organization Fee/Permit	1,050.00	0.01%
Local City Tax	92,906.13	0.55%
	<hr/>	<hr/>
Total Gambling Taxes	\$ 1,009,587.13	5.96%

SEE ACCOMPANYING NOTES

**BLAINE YOUTH HOCKEY ASSOCIATION
LAWFUL GAMBLING FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN PROFIT CARRYOVER - Regulatory Basis
For The Year Ended March 31, 2020**

Other Lawful Purpose	<u>2020</u>	
Expenditures		
Donations	\$ 8,491.20	0.05%
Contributions to the General Fund	<u>788,000.00</u>	<u>4.65%</u>
Total Other Lawful Purpose		
Expenditures	<u>\$ 796,491.20</u>	<u>4.70%</u>
Total Lawful Purpose		
Expenditures	<u>\$ 1,806,078.33</u>	<u>10.66%</u>
Excess of Expenses over Revenues	\$ (24,481.48)	<u>(0.14%)</u>
Beginning Profit Carryover	<u>73,344.93</u>	
Ending Profit Carryover	<u>\$ 48,863.45</u>	

SEE ACCOMPANYING NOTES

**BLAINE YOUTH HOCKEY ASSOCIATION
LAWFUL GAMBLING FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Blaine Youth Hockey Association (the Association) conform to the regulatory basis of accounting as prescribed by Minnesota Statute 349, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The following is a summary of the significant accounting policies.

A. NATURE OF ORGANIZATION

The Blaine Youth Hockey Association is a 501(c)(3) non-profit corporation formed for the purpose of providing funds and support for youth hockey programs in the City of Blaine area. The Association conducts its Lawful Gambling Operations at its site to increase program services and promote worthwhile activities in the City of Blaine and neighboring communities. The Association is not a private foundation.

B. 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.

C. CASH ON HAND - GAME BANKS

Cash and Cash Equivalents - The Association considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents".

Game Bank - Game Banks consist of imprest cash amounts, which are used to fund games.

Game Bank (games in play) - Game Bank (games in play) consist of cash amounts which are generated from games in play not yet reported.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that effect the reported amounts of the assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. INVENTORIES

The Association accounts for inventory using the cash basis and purchases are expensed when paid.

**BLAINE YOUTH HOCKEY ASSOCIATION
LAWFUL GAMBLING FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. REVENUES

Revenue Recognition - Revenues are recognized when games are completed. Prizes paid out are expensed when the revenues are recognized.

Prizes over Revenues (games in play) - Prizes over Revenues (games in play) consist of prizes in excess of revenues from games in play not yet reported.

Unearned Revenues - Revenues from all games not yet completed.

Negative Games in Play - Negative Games in Play consist of prizes exceeding revenues for games in play not yet reported.

G. ELECTRONIC GAMING

The Association maintains a single cash bank for electronic gaming. Accumulations of \$2,000.00 in excess of the cash bank are deposited. Net disbursements are carried over and occasionally reimbursed. A report is provided by the distributor of the electronic gaming which includes the expected net receipts or disbursements for the games played. At the end of the month the Association makes a deposit or writes a check reconciling the monthly activity as represented in the monthly distributor report.

At the end of each month a report is provided by the distributor which calculates the rental and games fees.

Electronic Bingo Prizes Due to Provider - The Association's portion of Electronic Bingo prizes that were paid by other linked sites and due to provider.

Electronic Bingo Prizes Receivable from Provider - The Association's portion of Electronic Bingo prizes that were paid for other linked sites and will be refunded by the provider.

NOTE 2. SUBSEQUENT EVENTS

In preparing these financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure through October 15, 2020 the date the financial statements were available to be issued.

NOTE 3. INVENTORIES

The Association expenses the cost of games purchased, including sales tax, on the cash basis. In addition, the Association maintains a perpetual inventory of games on hand. These games are extend at cost excluding sales tax and consist of the following at March 31, 2020.

	2020	
	Number of Games	Extended Cost
Pull Tabs	124	\$ 6,702.52
Paddletickets	5	\$ 92.50
Bingo	32,013	\$ 1,320.67

**BLAINE YOUTH HOCKEY ASSOCIATION
LAWFUL GAMBLING FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

NOTE 4. FORMS OF GAMBLING CONDUCTED

The forms of gambling conducted by the Association during the year ended March 31, 2020 were pull tabs, electronic pull tabs, raffles, paddletickets, electronic bingo and bingo.

NOTE 5. INCOME TAXES

The Association is required to pay Federal and State of Minnesota income taxes on unrelated business income. Under the regulatory method, income taxes are expensed when paid. The Association had no Federal or State income tax expense for the year ended March 31, 2020. At March 31, 2020, the Association had net operating loss carry forwards available to reduce future unrelated business income taxes of approximately \$344,500.00 and \$323,000.00 for Federal and State, respectively, which will begin to expire in 2021.

The Association has not been audited by the Internal Revenue Service, and accordingly, the unrelated business income tax returns for the past three and one-half years are open to examination.

The Association was audited by the Minnesota Department of Revenue during the year ended March 31, 2020. No significant issues were discovered.

NOTE 6. RESULTS OF GAME TESTING

For the year ended March 31, 2020, the Association's independent auditor selected forty pull tab games to be tested as part of the audit. Some games had unsold tickets. There were no material exceptions noted in testing the games.

On April 11, 2020, the inventory was observed by two members of the Association. No exceptions in the Association's perpetual inventory records were noted. In addition, cash on hand of \$0.00 was counted.



LANDON C. SCOTT, PLLC
CERTIFIED PUBLIC ACCOUNTANTS|ADVISORS

INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION

To the Officers and Members
Blaine Youth Hockey Association
Blaine, MN

We have audited the financial statements of the Blaine Youth Hockey Association as of and for the year ended March 31, 2020, and have issued our report thereon dated October 15, 2020, which contained a qualified opinion on those financial statements, related to the possible effects of relying on the service organization for electronic gaming. Our audit was performed for the purpose of forming an opinion on those financial statements - regulatory basis 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 - regulatory basis. Such information is the responsibility of management and was derived directly from and relates directly to the underlying accounting and other records used to prepare the financial statements - regulatory basis. 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 - regulatory basis or to the financial statements - regulatory basis themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the possible effects of relying on the service organization for electronic gaming, the information is fairly stated in all material respects in relation to the financial statements - regulatory basis as a whole.

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

Landon C. Scott, PLLC

October 15, 2020

Lake Elmo, Minnesota

**BLAINE YOUTH HOCKEY ASSOCIATION
LAWFUL GAMBLING FUND
RECONCILIATION OF PROFIT CARRYOVER - Regulatory Basis
MARCH 31, 2020**

Profit Carryover	<u>2020</u>
Additions:	
Gambling Checking Accounts	\$ 42,312.91
Merchandise Prize Inventory	6,472.46
Electronic Bingo Prizes Receivable from Provider	<u>78.08</u>
Total Additions	<u>\$ 48,863.45</u>
Profit Carryover from The Financial Statement	<u>\$ 48,863.45</u>
Profit Carryover from The Gambling Returns	<u>\$ 48,863.45</u>
Variance from Balance	<u><u>\$ -</u></u>

SEE ACCOMPANYING AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

**BLAINE YOUTH HOCKEY ASSOCIATION
LAWFUL GAMBLING FUND
ANALYSIS OF ALLOWABLE EXPENSES AND STAR RATING - Regulatory Basis
For The Year Ended March 31, 2020**

	2020
<u>GROSS PROFIT</u>	\$ 2,589,116.50
<u>ALLOWABLE EXPENSES</u>	
Cost of Games Used	\$ 166,295.16
Compensation	376,125.57
Accounting	21,142.33
Bond	249.00
Rent	103,086.93
Electronic Pull Tab Game Fees	102,510.81
Electronic Bingo Provider Fees	775.75
Bank Charges & Misc. Supplies	32,309.65
Cash Shortages	5,353.74
Cash Shortage reimbursements	(329.29)
<u>Total Allowable Expenses</u>	\$ 807,519.65
<u>LAWFUL PURPOSE RATING</u>	
Total Lawful Purpose Expenditures	\$ 1,806,078.33
Percentage of Lawful Purpose Expenditures To Gross Profit	70%
Star Rating	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.

**BLAINE YOUTH HOCKEY ASSOCIATION
LAWFUL GAMBLING FUND
RECONCILIATION OF GAMES PURCHASED AND USED - Regulatory Basis
For The Year Ended March 31, 2020**

	2020	
PULL TABS, PADDLETICKETS, RAFFLES & BINGO	AMOUNT	#
Cost of Games		
Purchases	\$ 166,295.16	3,010
Total Cost of Games Purchased	\$ 166,295.16	3,010
Reconciliation of Games Used:		
Games Purchased Per Books Above		3,010
Games Played Yet Purchased In Previous Period		88
Games Purchased Not Yet Used		(129)
		2,969
Games Used and Reported per Gross		
Revenues (Receipts) by Month		2,969
Variance		-0-

SEE ACCOMPANYING AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION



LANDON C. SCOTT, PLLC
CERTIFIED PUBLIC ACCOUNTANTS|ADVISORS

**INDEPENDENT AUDITORS' REPORT ON REGULATORY
CHECKLIST QUESTIONNAIRE**

To the Board of Directors and Members
Blaine Youth Hockey Association
St. Paul Park, MN

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements – regulatory basis of the Lawful Gambling Fund of the Blaine Youth Hockey Association which comprise the statement of assets, liabilities and profit carryover – regulatory basis as of March 31, 2020 and the related statement of revenues, expense and changes in profit carryover – regulatory basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the 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 Association'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 the Blaine Youth Hockey Association and for filing with Minnesota Revenue and the Minnesota Gambling Control Board and is not intended to be and should not be used by anyone other than these specified parties.

Landon C. Scott, PLLC

October 15, 2020
Lake Elmo, Minnesota

**BLAINE YOUTH HOCKEY ASSOCIATION
LAWFUL GAMBLING FUND
For The Year Ended March 31, 2020**

**REGULATORY CHECKLIST QUESTIONNAIRE
Minnesota Rule 8122.0550 Subp. 6B**

	YES	NO	N/A
1. The Organization conducted gambling only at sites for which it had obtained a premise permit or an off-site permit.	X		
2. The Organization had a licensed gambling manager at all times gambling was conducted.	X		
3. A lessor, a member of the lessor's immediate family, or an employee of a lessor was not a gambling manager of the Organization.	X		
4. The Organization's gambling manager was bonded for an amount of at least \$10,000.00.	X		
5. Checks for the expenditures of gross profits from gambling were signed by at least two active members of the Organization who have been authorized to sign checks.	X		
6. The Organization did not pre-sign gambling account checks.	X		
7. The Organization did not use signature stamps to sign gambling account checks.	X		
8. If the Organization has terminated all gambling activity, a termination plan has been filed with the Gambling Control Board.			X
9. The Organization has paid all rent for the lease of premises in accordance with the lease agreement.	X		



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

To the Board of Directors and Members
Blaine Youth Hockey Association
St. Paul Park, MN

In planning and performing our audit of the financial statements - regulatory basis of the Lawful Gambling Fund of the Blaine Youth Hockey Association as of and for the year ended March 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Blaine Youth Hockey Association's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 certain deficiencies in internal control that we consider to be material weaknesses 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements - regulatory basis will not be prevented, or detected and corrected on a timely basis. We noted no matters involving internal controls and in operation that we consider to be material weaknesses as defined above.

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 Blaine Youth Hockey Association's internal control to be significant deficiencies:

Oversight of the Financial Reporting Process

The board of directors and management share the ultimate responsibility for the Association's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The Association engages Landon C. Scott, PLLC to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Landon C. Scott, PLLC cannot be considered part of the Association's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the Association has implemented a comprehensive review procedure 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 accounting principles generally accepted in the United States of America and knowledge of the Association's activities and operations.

REPORT ON INTERNAL CONTROL (CONTINUED)

Oversight of the Financial Reporting Process (Continued)

The Association's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the Association's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

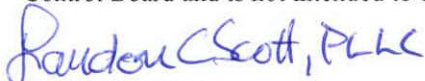
Segregation of Duties

Segregation of duties is an internal control procedure which states that the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets should be distributed to different people. In financial processes that have effective segregation of duties, the expectation is that at least one individual involved in the process will identify and/or prevent a transaction processing error, misappropriation or fraud from occurring.

The size of the Association's staff limits the extent of segregation of duties. Even though we noted no instances of a breach in internal control due to this lack of segregation of duties, the Association's management should be constantly aware of this conditions. The most effective control lies with continued active involvement by the board of directors in the financials activities of the Association's lawful gambling operation.

The following two areas of segregation of duties are critical for an effective internal control system: cash and inventory management. We encourage the board to make reviewing and approving bank reconciliations and reconciliations of the perpetual inventory to the physical inventory of games and bingo paper a continued priority each month.

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



October 15, 2020

Lake Elmo, Minnesota