

**LYON COUNTY
RIVERBOAT FOUNDATION, INC.**

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

DECEMBER 31, 2016

*De Noble, Austin & Company PC
Certified Public Accountants
Rock Rapids, Iowa*

Lyon County Riverboat Foundation, Inc.

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Lyon County Riverboat Foundation, Inc.

Officers/Board of Directors

<u>Name</u>	<u>Title</u>
Jeff Gallagher	President
Gerry Stai	Vice-President
Margo Pedersen	Secretary
Joanne Smith	Treasurer
Kristi Landis	Board Member
John Folkens	Board Member
Darla Bruggeman	Board Member
Bill Henrichs	Board Member
Merlin Ver Steeg	Board Member
Russ Hopp	Board Member
Craig Schneiderman	Board Member
Kathi Wilke	Board Member
Jerry Kaiser	Board Member



De Noble, Austin & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Lyon County Riverboat Foundation, Inc.

We have audited the accompanying financial statements of the Lyon County Riverboat Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the calendar 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 accounting principles generally accepted in the United States of America; 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 Lyon County Riverboat Foundation, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the calendar year then ended in accordance with accounting principles generally accepted in the United States of America.

De Noble, Austin & Company PC

De Noble, Austin & Company PC
Certified Public Accountants
Rock Rapids, Iowa
January 26, 2017

Lyon County Riverboat Foundation, Inc.

Statement of Financial Position

December 31, 2016

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 267,161
Accounts Receivable – Grand Falls Casino & Resort	179,281
Prepaid Insurance	2,463
Prepaid Rent	675
Security Deposit	800
Total Current Assets	<u>450,380</u>

Fixed Assets (Net):

Equipment & Software	21,094
Furniture	1,389
Less: Accumulated Depreciation	(7,745)
Total Fixed Assets (Net)	<u>14,738</u>

Total Assets \$ 465,118

LIABILITIES AND NET ASSETS

Current Liabilities:

Payroll Tax Liabilities	\$ 1,575
Accounts Payable	1,342
Grants Payable – Competitive Grant Awards	198,409
Total Current Liabilities	<u>201,326</u>

Net Assets:

Unrestricted	<u>263,792</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 465,118

See Notes to Financial Statements.

Lyon County Riverboat Foundation, Inc.

Statement of Activities

For the Calendar Year Ended December 31, 2016

	Unrestricted
Support, Revenue and Other Gains (Losses):	
Direct Support - Grand Falls Casino & Resort	\$ 2,003,965
Unused/Expired Grants Awarded	31,291
Interest Income	2,144
(Loss) of Disposal of Assets	(2,928)
Total Support, Revenue and Other Gains (Losses)	2,034,472
Expenses:	
Program Services:	
Grant Disbursements:	
Lyon County Cities/Lyon County	478,106
Lyon County Public Schools	478,106
Competitive Grants	988,004
Donations	2,400
Total Program Services	1,946,616
Supporting Services:	
Management and General:	
Legal and Professional Fees	10,580
Contract Labor	650
Salary Expense	24,500
Payroll Taxes	1,916
Rent Expense	8,100
Depreciation Expense	4,127
Insurance	4,275
Advertising/Website Maintenance	1,294
Travel/Mileage	1,371
Meetings and Meals	10,602
Membership Dues	520
Postage	467
Printing and Copying	912
Supplies	3,681
Telephone	1,208
Miscellaneous Expense	1,468
Total Supporting Services	75,671
Total Expenses	2,022,287
Change in Net Assets	12,185
Net Assets, Beginning of Year	251,607
Net Assets, End of Year	\$ 263,792

See Notes to Financial Statements.

Lyon County Riverboat Foundation, Inc.

Statement of Cash Flows

For the Calendar Year Ended December 31, 2016

Cash Flows From (Used By) Operating Activities:

Change in Net Assets	\$ 12,185
Adjustments to Reconcile Change in Net Assets to Net Cash Used By Operating Activities:	
Depreciation Expense	4,127
Loss on Disposal of Fixes Assets	2,928
Decrease in Refund Receivable – Iowa Dept. Public Safety, DCI	22,666
Decrease in Accounts Receivable – Grand Falls Casino & Resort	9,208
Decrease in Prepaid Insurance	53
Increase in Prepaid Rent	(675)
Increase in Payroll Tax Liabilities	52
(Decrease) in Accounts Payable	(8)
(Decrease) in Grants Payable – Competitive Grant Awards	(351,872)
Net Cash Used By Operating Activities	<u>(301,336)</u>

Cash Flows From (Used By) Investing Activities:

Purchase of Fixed Assets	(14,140)
Net Cash Used By Investing Activities	<u>(14,140)</u>

Net (Decrease) in Cash and Cash Equivalents (315,476)

Beginning Cash and Cash Equivalents 582,637

Ending Cash and Cash Equivalents \$ 267,161

Supplemental Disclosure of Cash Flow Information:

None

Supplemental Schedule of Noncash Investing and Financing Activities:

None

See Notes to Financial Statements.

Lyon County Riverboat Foundation, Inc.

Notes to Financial Statements

December 31, 2016

1) Nature of Activities and Concentration

The Lyon County Riverboat Foundation, Inc. (the "Foundation") is a non-profit organization that was incorporated in the State of Iowa to be the gaming license holder and partner for the Grand Falls Casino & Resort (the "Casino"), located in Lyon County, Iowa. The Foundation is the qualified sponsoring organization which is licensed to operate and conduct gambling games in Lyon County, Iowa. The Foundation has entered into an operating agreement with the Casino to provide gambling games and receives virtually all of its revenue per this agreement. Therefore, the Foundation is reliant upon the Casino for its continuing economic vitality. The Casino, a recreational destination for all, primarily serves the tri-state region of northwest Iowa, southwest Minnesota and southeast South Dakota.

In accordance with Chapter 99F of the Code of the State of Iowa, the Foundation must distribute the operating/license fees received from the Casino for educational, civic, public, charitable, patriotic, or religious purposes. The Foundation currently distributes grants through two types of programs, the "Competitive Grant Program" and the "Municipal, County & School Funds Program". Through the "Competitive Grant Program", the Foundation's intent is to distribute 50% of the annual net receipts it receives from the Casino in the form of grants and scholarships to qualified non-profit organizations. Competitive grants are being awarded based on an application process. The other 50% of the Foundation's net receipts, distributed through the "Municipal, County & School Funds Program," are issued to the incorporated municipal cities, county government and school districts in Lyon County. The Foundation's mission is to be a significant part of helping churches, civic groups, schools, non-profits and local governments to complete important projects to make Lyon County, Iowa, and the surrounding areas, a better place to live and work.

2) Income Tax Status

Lyon County Riverboat Foundation, Inc. is a non-profit organization exempt from federal income taxes under Internal Revenue Code section 501(c)(4). The Foundation did not conduct any unrelated business activities and, therefore, has made no provision for federal income taxes in the accompanying financial statements. Additionally, the Foundation has evaluated the need to report/disclose uncertain tax positions and management has expressed there are no uncertain tax positions as of December 31, 2016. Tax returns for the past three tax years (2015, 2014 and 2013 as of the audit report date) remain open for examination by tax jurisdictions.

Lyon County Riverboat Foundation, Inc.

Notes to Financial Statements

December 31, 2016

3) Summary of Significant Accounting Policies

A. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The general accounting records are kept and the accompanying financial statements of the Foundation are reported on an accrual basis. Under this method of accounting, income is recognized when earned and expenses are recognized when incurred.

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 support, revenues, gains, losses, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

C. Statement of Cash Flows

The Foundation's cash and cash equivalents consist of money held in a checking account and several money market accounts. For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

D. Accounts Receivable – Grand Falls Casino & Resort

The statement of financial position's account - accounts receivable – Grand Falls Casino & Resort represents operating/license fees due to the Foundation from the Grand Falls Casino & Resort (the "Casino") as of December 31, 2016. Under the "Casino Gambling License and Operating Agreement", the Casino shall calculate and pay monthly to the Foundation a percentage of its "Adjusted Net Gaming Win". Payment of the calculated fee is due to the Foundation by the twentieth day following the end of each month. The Foundation does not require collateral or other security to support the amounts recognized in the statement of financial position for this accounts receivable. Management closely monitors the outstanding balance and would determine the need for write-offs. As of December 31, 2016, the entire balance from the Casino is deemed to be collectible, thus no allowance for uncollectible support has been recorded.

Lyon County Riverboat Foundation, Inc.

Notes to Financial Statements

December 31, 2016

E. Fixed Assets (Net)

Fixed assets, consisting of equipment & software and furniture, are stated at cost. Acquisitions of fixed assets with an expected useful life of three years or more and with a historical cost of \$500 or more are capitalized. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss on disposal is recognized in the statement of activities for the corresponding calendar year. Fixed assets at December 31, 2016 consist of the following:

<u>Classifications</u>	Cost	Accumulated Depreciation	Book Value
Equipment & Software	\$ 21,094	\$ 6,524	\$ 14,570
Furniture	1,389	1,221	168
Totals	<u>\$ 22,483</u>	<u>\$ 7,745</u>	<u>\$ 14,738</u>

The depreciation expense for the calendar year was \$4,127 and consisted of \$3,942 on equipment & software, and \$185 on furniture. The Foundation had no capitalized interest costs during the calendar year ended December 31, 2016.

F. Grants Payable – Competitive Grants Awards

During the calendar year ended December 31, 2016, the Foundation accepted applications and awarded grants to eligible non-profit organizations under the “Competitive Grants Program.” The Foundation recognizes grant disbursements in the statement of activities when the grant is approved and awarded by the Foundation’s Board of Directors. “Multi-cycle” awards are grants that have been approved by the Board to be paid over a set period of years and are recognized in the financial statements in the calendar year that the Board formally approves the portion of the grant that is available for reimbursement to the grant recipient. Grant recipients must submit supporting documentation of paid expenses in order to receive reimbursement for costs paid for the approved project. During 2016, the Foundation awarded \$988,004 of competitive grants that were available for reimbursements to grant recipients. Payments to grant recipients during the calendar year totaled \$1,308,585. If the cost of an approved project comes in below the actual grant award, at the completion of the project, the remaining grant payable for the unused funds is written off and recognized as income in the statement of activities account – unused/expired grants awarded. During calendar year 2016, there were unused grants written off in the amount of \$31,291. As of December 31, 2016, the outstanding balance of grant awards payable – competitive grant awards was \$198,409.

Lyon County Riverboat Foundation, Inc.

Notes to Financial Statements

December 31, 2016

G. Contributed Services

No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for service requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation in its operations but these services do not meet the criteria for recognition as contributed services.

4) Operating Lease

The Foundation entered into a new lease agreement with Frontier Bank for office space located in Rock Rapids, Iowa as of August 1, 2016. The three year lease was effective August 1, 2016 and sets the monthly rent at \$675, with a provision for a one year additional term at \$700 per month. The total amount paid for rent for calendar year 2016 was \$8,100. The cost of this lease for calendar years 2017, 2018 and 2019 will be \$8,100, \$8,100 and \$4,725, respectively.

5) Commitments

The Foundation has committed to several “multi-cycle” grants to be awarded in the future over a period of several years. During calendar year 2016, the Foundation did not commit to any additional “multi-cycle” grants. The Foundation did approve \$458,900 of the outstanding “multi-cycle” grants as available for reimbursement to grant recipients, thus leaving a commitment for future approval of \$1,408,350 as of December 31, 2016.

6) Subsequent Events

There were no events that have occurred subsequent to December 31, 2016 until January 26, 2017 (the audit report date and the financial statements issuance date).