

**LYON COUNTY  
RIVERBOAT FOUNDATION, INC.**

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

**DECEMBER 31, 2017 AND 2016**

**Lyon County Riverboat Foundation, Inc.**

**Table of Contents**

|  | <b><u>Page Number</u></b> |
|--|---------------------------|
| <b>Officers/Board of Directors</b>     | 1                         |
| <b>Independent Auditor's Report</b>    | 2                         |
| <b><u>Financial Statements</u></b>     |                           |
| <b>Statement of Financial Position</b> | 3                         |
| <b>Statement of Activities</b>         | 4                         |
| <b>Statement of Cash Flows</b>         | 5                         |
| <b>Notes to Financial Statements</b>   | 6-10                      |

**Lyon County Riverboat Foundation, Inc.**

**Officers/Board of Directors**

| <b><u>Name</u></b>  | <b><u>Title</u></b> |
|---------------------|---------------------|
| Jerry Keizer        | President           |
| Gerry Stai          | Vice-President      |
| Darla Bruggeman     | Secretary           |
| Alicia VerMeer      | Treasurer           |
| Scott Kruse         | Board Member        |
| Rochelle Herbert    | Board Member        |
| Marlys Conaway      | Board Member        |
| Bill Henrichs       | Board Member        |
| Shawn Dreesen       | Board Member        |
| Russ Hopp           | Board Member        |
| Craig Schneidermann | Board Member        |
| Kathi Wilke         | Board Member        |
| Joanne Smith        | Board Member        |

## **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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the calendar years 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 audits. We conducted our audits 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, 2017 and 2016, and the changes in its net assets and its cash flows for the calendar years then ended in accordance with accounting principles generally accepted in the United States of America.

De Noble, Austin & Company PC  
Certified Public Accountants  
Rock Rapids, Iowa  
January 23, 2018

**Lyon County Riverboat Foundation, Inc.**

**Statements of Financial Position**

|   | <b>December 31,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|---|------------------------------|------------------------------|
| <b><u>ASSETS</u></b>                              |                              |                              |
| <b>Current Assets:</b>                            |                              |                              |
| Cash and Cash Equivalents                         | \$ 444,841                   | \$ 267,161                   |
| Accounts Receivable – Grand Falls Casino & Resort | 190,469                      | 179,281                      |
| Prepaid Insurance                                 | 2,440                        | 2,463                        |
| Prepaid Rent                                      | 675                          | 675                          |
| Security Deposit                                  | 800                          | 800                          |
| <b>Total Current Assets</b>                       | <b>639,225</b>               | <b>450,380</b>               |
| <b>Fixed Assets (Net):</b>                        |                              |                              |
| Equipment & Software                              | 24,729                       | 21,094                       |
| Furniture   | 1,389                        | 1,389                        |
| Less: Accumulated Depreciation                    | ( 11,111)                    | ( 7,745)                     |
| <b>Total Fixed Assets (Net)</b>                   | <b>15,007</b>                | <b>14,738</b>                |
| <b>Total Assets</b>                               | <b>\$ 654,232</b>            | <b>\$ 465,118</b>            |
| <b><u>LIABILITIES AND NET ASSETS</u></b>          |                              |                              |
| <b>Current Liabilities:</b>                       |                              |                              |
| Payroll Tax Liabilities                           | \$ 1,721                     | \$ 1,575                     |
| Accounts Payable                                  | 1,256                        | 1,342                        |
| Grants Payable – Competitive Grant Awards         | 404,630                      | 198,409                      |
| <b>Total Current Liabilities</b>                  | <b>407,607</b>               | <b>201,326</b>               |
| <b>Net Assets:</b>                                |                              |                              |
| Unrestricted                                      | 246,625                      | 263,792                      |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>           | <b>\$ 654,232</b>            | <b>\$ 465,118</b>            |

See Notes to Financial Statements.

**Lyon County Riverboat Foundation, Inc.**

**Statements of Activities**

|  | <b>For the Calendar Years Ended</b> |                     |
|--|-------------------------------------|---------------------|
|  | <b>December 31,</b>                 | <b>December 31,</b> |
|  | <b>2017</b>                         | <b>2016</b>         |
|  | <b>Unrestricted</b>                 | <b>Unrestricted</b> |
| <b>Support, Revenue and Other Gains (Losses):</b>      |                                     |                     |
| Direct Support - Grand Falls Casino & Resort           | \$ 2,059,097                        | \$ 2,003,965        |
| Unused/Expired Grants Awarded                          | 17,506                              | 31,291              |
| Interest Income  | 1,486                               | 2,144               |
| Miscellaneous Income                                   | 44                                  | 0                   |
| (Loss) of Disposal of Assets                           | ( 884)                              | ( 2,928)            |
| <b>Total Support, Revenue and Other Gains (Losses)</b> | <b>2,077,249</b>                    | <b>2,034,472</b>    |
| <b>Expenses:</b>                                       |                                     |                     |
| <b>Program Services:</b>                               |                                     |                     |
| <b>Grant Disbursements:</b>                            |                                     |                     |
| Lyon County Cities/Lyon County                         | 488,623                             | 478,106             |
| Lyon County Public Schools                             | 488,625                             | 478,106             |
| Competitive Grants                                     | 1,029,531                           | 988,004             |
| Donations  | 2,400                               | 2,400               |
| <b>Total Program Services</b>                          | <b>2,009,179</b>                    | <b>1,946,616</b>    |
| <b>Supporting Services:</b>                            |                                     |                     |
| <b>Management and General:</b>                         |                                     |                     |
| Legal and Professional Fees                            | 10,577                              | 10,580              |
| Contract Labor   | 620                                 | 650                 |
| Salary Expense   | 26,000                              | 24,500              |
| Payroll Taxes  | 2,058                               | 1,916               |
| Rent Expense   | 8,100                               | 8,100               |
| Depreciation Expense                                   | 4,029                               | 4,127               |
| Insurance  | 4,193                               | 4,275               |
| Advertising/Website Maintenance                        | 1,476                               | 1,294               |
| Travel/Mileage   | 4,087                               | 1,371               |
| Meetings and Meals                                     | 14,213                              | 10,602              |
| Membership Dues  | 68                                  | 520                 |
| Postage  | 393                                 | 467                 |
| Printing and Copying                                   | 48                                  | 912                 |
| Supplies   | 6,881                               | 3,681               |
| Telephone  | 1,245                               | 1,208               |
| Miscellaneous Expense                                  | 1,249                               | 1,468               |
| <b>Total Supporting Services</b>                       | <b>85,237</b>                       | <b>75,671</b>       |
| <b>Total Expenses</b>                                  | <b>2,094,416</b>                    | <b>2,022,287</b>    |
| <b>Change in Net Assets</b>                            | <b>( 17,167)</b>                    | <b>12,185</b>       |
| <b>Net Assets, Beginning of Year</b>                   | <b>263,792</b>                      | <b>251,607</b>      |
| <b>Net Assets, End of Year</b>                         | <b>\$ 246,625</b>                   | <b>\$ 263,792</b>   |

See Notes to Financial Statements.

**Lyon County Riverboat Foundation, Inc.**

**Statements of Cash Flows**

|  | <b>For the Calendar Years Ended</b> |                              |
|--|-------------------------------------|------------------------------|
|  | <b>December 31,<br/>2017</b>        | <b>December 31,<br/>2016</b> |
| <b>Cash Flows From (Used By) Operating Activities:</b>                                     |                                     |                              |
| Change in Net Assets   | \$ ( 17,167)                        | \$ 12,185                    |
| Adjustments to Reconcile Change in Net Assets to Net Cash<br>Used By Operating Activities: |                                     |                              |
| Depreciation Expense   | 4,029                               | 4,127                        |
| Loss on Disposal of Fixed Assets   | 884                                 | 2,928                        |
| Decrease in Refund Receivable – Iowa Dept. Public Safety, DCI                              | 0                                   | 22,666                       |
| (Increase) Decrease in Accounts Receivable – Grand Falls Casino                            | ( 11,188)                           | 9,208                        |
| Decrease in Prepaid Insurance  | 23                                  | 53                           |
| (Increase) in Prepaid Rent   | 0                                   | ( 675)                       |
| Increase in Payroll Tax Liabilities  | 146                                 | 52                           |
| (Decrease) in Accounts Payable   | ( 86)                               | ( 8)                         |
| Increase (Decrease) in Grants Payable – Competitive Grant Awards                           | 206,221                             | ( 351,872)                   |
| <b>Net Cash Provided From/Used By Operating Activities</b>                                 | <b>182,862</b>                      | <b>( 301,336)</b>            |
| <b>Cash Flows From (Used By) Investing Activities:</b>                                     |                                     |                              |
| Purchase of Fixed Assets   | ( 5,182)                            | ( 14,140)                    |
| <b>Net Cash Used By Investing Activities</b>   | <b>( 5,182)</b>                     | <b>( 14,140)</b>             |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                                | 177,680                             | ( 315,476)                   |
| <b>Beginning Cash and Cash Equivalents</b>   | 267,161                             | 582,637                      |
| <b>Ending Cash and Cash Equivalents</b>  | <b>\$ 444,841</b>                   | <b>\$ 267,161</b>            |

**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, 2017 and 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 & Golf 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, 2017. Tax returns for the past three tax years (2016, 2015 and 2014 as of the audit report date) remain open for examination by tax jurisdictions.



**Lyon County Riverboat Foundation, Inc.**

**Notes to Financial Statements**

**December 31, 2017 and 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

Accounts Receivable – Grand Falls Casino & Golf Resort represents operating/license fees due to the Foundation from the Grand Falls Casino & Golf Resort (the "Casino") as of December 31, 2017 and 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, 2017 and 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, 2017 and 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, 2017 consist of the following:

| <u>Classifications</u> | Cost             | Accumulated<br>Depreciation | Book<br>Value    |
|------------------------|------------------|-----------------------------|------------------|
| Equipment & Software   | \$ 24,729        | \$ 9,823                    | \$ 14,906        |
| Furniture              | 1,389            | 1,288                       | 101              |
| Totals                 | <u>\$ 26,118</u> | <u>\$ 11,111</u>            | <u>\$ 15,007</u> |

The depreciation expense for calendar year 2017 was \$4,029 and consisted of \$3,962 on equipment & software, and \$67 on furniture. The Foundation had no capitalized interest costs during the calendar year ended December 31, 2017.

Fixed assets at December 31, 2016 consist of the following:

| <u>Classifications</u> | Cost             | Accumulated<br>Depreciation | Book<br>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 calendar year 2016 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, 2017, 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

## **Lyon County Riverboat Foundation, Inc.**

### **Notes to Financial Statements**

**December 31, 2017 and 2016**

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 2017, the Foundation awarded \$1,029,531 of competitive grants that were available for reimbursements to grant recipients. Payments to grant recipients during the calendar year totaled \$805,803. 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 2017, there were unused grants written off in the amount of \$17,506. As of December 31, 2017, the outstanding balance of grant awards payable – competitive grant awards was \$404,630. 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.

#### **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 2017 was \$8,100. The total amount paid for rent for calendar year 2016 was \$8,100. The cost of this lease for calendar years 2018 and 2019 will be \$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 2017, the Foundation committed to one new "multi-cycle" grant in the amount of \$1,000,000. The Foundation also approved \$408,900 of these grants to be available for reimbursement to grant recipients for the multi-cycle grants, thus leaving a commitment for future approval of \$1,999,450 as of December 31, 2017.

6) Subsequent Events

There were no events that have occurred subsequent to December 31, 2017 until January 23, 2018 (the audit report date and the financial statements issuance date).