

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
GAMBLING LICENSE #00776
FEDERAL ID #41-1434632
MINNESOTA ID #4515956
BLAINE, MINNESOTA**

**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED MARCH 31, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members
Blaine Youth Hockey Association
Gambling License #00776
Blaine, Minnesota

We have audited the accompanying financial statements of the Lawful Gambling Fund of Blaine Youth Hockey Association (the Association); which comprise the statements of assets, liabilities and profit carryover - regulatory basis as of March 31, 2019 and 2018, and the related statements of revenue, expenses and changes in profit carryover - regulatory basis and statements of gaming revenue - regulatory basis for the 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 the regulatory basis of accounting as described in Note 2; 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.

Basis for Qualified Opinion

During the year ended March 31, 2019, the Association conducted electronic gaming. The distributor of these games electronically calculated 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.

Unmodified Opinion on 2018 and Qualified Opinion on 2019

In our opinion, except for the possible effects of relying on the service organization for electronic gaming for the year ended March 31, 2019, 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, 2019 and 2018, and the results of its operations for the years then ended in accordance with the regulatory basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 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, management, and members 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.

Shidell Mair & Richardson PLLP

July 17, 2019
St. Paul, Minnesota

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
GAMBLING LICENSE #00776
STATEMENTS OF ASSETS, LIABILITIES AND PROFIT CARRYOVER
REGULATORY BASIS
MARCH 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash	\$ 33,491	\$ 38,382
Game banks	33,000	24,000
Due from others	732	-
Prepaid prizes	6,322	-
Deferred fund losses	-	5,643
Total assets	\$ 73,545	\$ 68,025
 LIABILITIES AND PROFIT CARRYOVER		
LIABILITES		
Accounts payable - prizes	\$ 200	\$ -
Total liabilities	200	-
 PROFIT CARRYOVER		
Profit carryover	73,345	68,025
Total liabilities and profit carryover	\$ 73,545	\$ 68,025

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
GAMBLING LICENSE #00776
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN PROFIT CARRYOVER
REGULATORY BASIS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	<u>2019</u>		<u>2018</u>	
	<u>AMOUNT</u>	<u>PERCENT</u>	<u>AMOUNT</u>	<u>PERCENT</u>
TOTAL REVENUE	\$ 16,067,165	100.0 %	\$ 14,236,919	100.0 %
TOTAL PRIZES	<u>(13,549,769)</u>	<u>(84.3)</u>	<u>(11,994,953)</u>	<u>(84.3)</u>
Net Revenue	2,517,396	15.7	2,241,966	15.7
INTEREST INCOME	<u>38</u>	<u>-</u>	<u>170</u>	<u>-</u>
Gross profit	2,517,434	15.7	2,242,136	15.7
ALLOWABLE EXPENSES	<u>(703,646)</u>	<u>(4.4)</u>	<u>(646,095)</u>	<u>(4.5)</u>
INCOME BEFORE LAWFUL PURPOSE EXPENDITURES	<u>1,813,788</u>	<u>11.3</u>	<u>1,596,041</u>	<u>11.2</u>
LAWFUL PURPOSE EXPENDITURES				
Gambling taxes:				
Net receipts taxes	(9,012)	(0.1)	(9,108)	(0.1)
Combined receipts taxes	(831,361)	(5.2)	(727,569)	(5.1)
Monthly regulatory fees	(20,065)	(0.1)	(17,660)	(0.1)
Local taxes	(93,069)	(0.6)	(87,337)	(0.6)
Licenses	<u>(1,200)</u>	<u>-</u>	<u>(1,050)</u>	<u>-</u>
Total gambling taxes	(954,707)	(6.0)	(842,724)	(5.9)
Other lawful purpose expenditures	(10,761)	(0.1)	(6,075)	-
Contributions to general fund	<u>(843,000)</u>	<u>(5.2)</u>	<u>(741,000)</u>	<u>(5.2)</u>
Total lawful purpose expenditures	<u>(1,808,468)</u>	<u>(11.3)</u>	<u>(1,589,799)</u>	<u>(11.1)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	5,320	<u>- %</u>	6,242	<u>0.1 %</u>
PROFIT CARRYOVER - Beginning of year	<u>68,025</u>		<u>61,783</u>	
PROFIT CARRYOVER - End of year	<u>\$ 73,345</u>		<u>\$ 68,025</u>	

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
GAMBLING LICENSE #00776
STATEMENTS OF GAMING REVENUE
REGULATORY BASIS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	<u>2019</u>		<u>2018</u>	
	<u>AMOUNT</u>	<u>PERCENT</u>	<u>AMOUNT</u>	<u>PERCENT</u>
PULLTAB				
Pulltab revenue	\$ 14,872,847	100.0 %	\$ 13,665,347	100.0 %
Pulltab prizes	(12,559,916)	(84.4)	(11,531,802)	(84.4)
Net pulltab revenue	<u>2,312,931</u>	<u>15.6 %</u>	<u>2,133,545</u>	<u>15.6 %</u>
PADDLEWHEEL				
Paddlewheel revenue	76,380	100.0 %	83,550	100.0 %
Paddlewheel prizes	(50,920)	(66.7)	(55,680)	(66.6)
Net paddlewheel revenue	<u>25,460</u>	<u>33.3 %</u>	<u>27,870</u>	<u>33.4 %</u>
BINGO				
Bingo revenue	490,801	100.0 %	462,662	100.0 %
Bingo prizes	(414,310)	(84.4)	(395,071)	(85.4)
Net bingo revenue	<u>76,491</u>	<u>15.6 %</u>	<u>67,591</u>	<u>14.6 %</u>
RAFFLE				
Raffle revenue	6,990	100.0 %	6,760	100.0 %
Raffle prizes	-	-	-	-
Net raffle revenue	<u>6,990</u>	<u>100.0 %</u>	<u>6,760</u>	<u>100.0 %</u>
TIPBOARD				
Tipboard revenue	1,500	100.0 %	18,600	100.0 %
Tipboard prizes	(1,000)	(66.7)	(12,400)	(66.7)
Net tipboard revenue	<u>500</u>	<u>33.3 %</u>	<u>6,200</u>	<u>33.3 %</u>
ELECTRONIC PULLTABS				
Electronic pulltab revenue	592,233	100.0 %	-	-
Electronic pulltab prizes	(501,280)	(84.6)	-	-
Net electronic pulltab revenue	<u>90,953</u>	<u>15.4 %</u>	<u>-</u>	<u>- %</u>
ELECTRONIC-LINKED BINGO				
Electronic-linked bingo revenue	14,699	100.0 %	-	-
Electronic-linked bingo prizes	(12,493)	(85.0)	-	-
Net electronic-linked bingo revenue	<u>2,206</u>	<u>15.0 %</u>	<u>-</u>	<u>- %</u>
SPORTS-THEMED TIPBOARDS				
Sports-themed tipboard revenue	11,715	100.0 %	-	-
Sports-themed tipboard prizes	(9,850)	(84.1)	-	-
Net sports-themed tipboard revenue	<u>1,865</u>	<u>15.9 %</u>	<u>-</u>	<u>- %</u>
Net revenue	<u>\$ 2,517,396</u>		<u>\$ 2,241,966</u>	

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
GAMBLING LICENSE #00776
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. NATURE OF ORGANIZATION

Blaine Youth Hockey Association (the Association), is a 501(c)(3) not-for-profit organization whose purpose is to promote and support youth hockey programs in the Blaine area. The Association conducts lawful gambling at four sites in Minnesota to increase its program services.

The Association has a Minnesota gambling license. The forms of gambling conducted by the Association during the year ended March 31, 2018, included pulltabs, paddlewheels, tipboards, bingo, and raffles. The forms of gambling conducted by the Association during the year ended March 31, 2019, included pulltabs, paddlewheels, tipboards, sports-themed tipboards, electronic pulltabs, electronic-linked bingo, 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.

The financial statements are only for the lawful gambling fund of the Association and do not include the assets, liabilities, fund balance and the support revenue and expenses of the Association's general fund.

NOTE 2. 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 accounting principles generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America, such expenditures are capitalized and depreciated over the asset's estimated useful life.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Game Banks

Game banks consist of imprest amounts which are used to fund open play of games.

Prepaid Gaming Prizes

Prepaid gaming prizes represent amounts paid for non-cash prizes that have not yet been awarded.

Inventories

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

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
GAMBLING LICENSE #00776
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Due from General Fund

Due from general fund represents excess cash shortages required to be reimbursed by the general fund.

Deferred Fund Losses

Deferred fund losses represent significant fund losses requiring Gambling Control Board approval prior to deduction.

Income Taxes

The Association is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Association is required to pay state and federal income taxes on unrelated business income. Under the regulatory method, income taxes are recognized when paid. During the years ended March 31, 2019 and 2018, the Association paid no unrelated business taxes.

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

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Electronic Gaming

The Association sells electronic pulltabs and linked bingo. The Association maintains a single starting cash bank for electronic pulltabs and linked bingo. Deposits for electronic pulltabs and linked bingo are required within four business days of when the total net receipts reach \$2,000, or on or before the first day of the next month. Net disbursements are carried over and occasionally reimbursed. A report is provided by the distributor of the electronic pulltabs which includes the expected net receipts or disbursements for the games played. Cash long and short is allocated to games played during the session.

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

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
GAMBLING LICENSE #00776
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Subsequent Events

In preparing these financial statements the Association has evaluated events and transactions for potential recognition or disclosure through July 17, 2019, the date the financial statements were available to be issued.

NOTE 4. 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 extended at cost excluding sales tax and consist of the following at March 31, 2019 and 2018.

	2019		2018	
	Number of Games	Extended Cost	Number of Games	Extended Cost
Pulltabs	87	\$ 4,506	78	\$ 3,871
Tipboards	0	\$ -	10	\$ 50
Paddlewheels	1	\$ 19	2	\$ 36

NOTE 5. COMMITMENTS

The Association leases space at four sites for its lawful gambling activities. The lease agreements require 10% of gross profit with a maximum of \$1,750 per month. At two sites, the lease agreements require 15% of gross profit for electronic games, with no maximum. The lease agreements can be terminated by either party with a 30-day written notice.

Total rent expense for the years ended March 31, 2019 and 2018, was \$87,984 and \$71,058, respectively.

The Association also leases electronic gaming devices. The lease payments are based on a percentage of sales and can be terminated by either party with a 30-day notice. Rent expense for these devices for the years ended March 31, 2019 and 2018, was \$23,563 and \$0, respectively.

NOTE 6. RELATED PARTY TRANSACTIONS

The Association's gambling fund transferred \$843,000 and \$741,000 to the general fund during the years ended March 31, 2019 and 2018, respectively.

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
GAMBLING LICENSE #00776
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. GAMES TESTED AND RESULTS

Subsequent to year-end, the Association's independent auditors randomly selected 40 pulltab games, including games with unsold tickets to be tested as part of their audit. The exceptions of their testing, as reported to the Association, are as followed:

<u>Serial Number</u>	<u>Amount as Reported on Gambling Tax Return</u>	<u>Amount as Tested</u>
Prize Variance		
5565332	\$ 4,290	\$ 4,294
5663979	\$ 5,164	\$ 5,172
5862688	\$ 3,636	\$ 3,632
6J64694	\$ 1,672	\$ 1,673

On April 1, 2019, a physical inventory of games and cash on hand was certified by two members, officers or employees of the Association, not directly involved in the Association's gambling activities who have been appointed by the Association's board. No exceptions in the Association's inventory records were noted.

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

Board of Directors and Members
Blaine Youth Hockey Association
Gambling License #00776
Blaine, Minnesota

We have audited the financial statements - regulatory basis of the Lawful Gambling Fund of Blaine Youth Hockey Association as of and for the years ended March 31, 2019 and 2018, and have issued our report thereon dated July 17, 2019, which contained a qualified opinion on those financial statements - regulatory basis, related to the possible effects of relying on the service organization for electronic gaming for the year ended March 31, 2019 and an unmodified opinion for the year ended March 31, 2018 on those financial statements - regulatory basis. Our audit was performed for the purpose of forming an opinion on the financial statements - regulatory basis as a whole. The supplementary information on pages 11 through 13 is presented for the purpose 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 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 for the year ended March 31, 2019, 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, management, and members 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.

Shidell Mair & Richardson PLLP

July 17, 2019
St. Paul, Minnesota

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
GAMBLING LICENSE #00776
RECONCILIATION OF GAMES USED
REGULATORY BASIS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Number of Games</u>	<u>Cost</u>	<u>Number of Games</u>
PULLTABS				
Games played:				
Inventory - beginning of year	\$ 3,871	78	\$ 1,977	39
Purchases	160,582	3,123	149,763	2,995
Games available for play	164,453	3,201	151,740	3,034
Inventory - end of year	(4,506)	(87)	(3,871)	(78)
Total games played	<u>\$ 159,947</u>	<u>3,114</u>	<u>\$ 147,869</u>	<u>2,956</u>
Games played per above		3,114		2,956
Games reported on schedule B2's		<u>3,114</u>		<u>2,956</u>
Difference		<u>-</u>		<u>-</u>
TIPBOARDS				
Games played:				
Inventory - beginning of year	\$ 50	10	\$ 10	2
Purchases	-	-	707	132
Games available for play	50	10	717	134
Inventory - end of year	-	-	(50)	(10)
Total games played	<u>\$ 50</u>	<u>10</u>	<u>\$ 667</u>	<u>124</u>
Games played per above		10		124
Games reported on schedule B2's		<u>10</u>		<u>124</u>
Difference		<u>-</u>		<u>-</u>
PADDLEWHEELS				
Games played:				
Inventory - beginning of year	\$ 36	2	\$ 90	5
Purchases	1,302	67	1,320	68
Games available for play	1,338	69	1,410	73
Inventory - end of year	(19)	(1)	(36)	(2)
Total games played	<u>\$ 1,319</u>	<u>68</u>	<u>\$ 1,374</u>	<u>71</u>
Games played per above		68		71
Games reported on schedule B2's		<u>68</u>		<u>71</u>
Difference		<u>-</u>		<u>-</u>
SPORTS-THEMED TIPBOARDS				
Games played:				
Inventory - beginning of year	\$ -	-	\$ -	-
Purchases	418	39	-	-
Games available for play	418	39	-	-
Inventory - end of year	-	-	-	-
Total games played	<u>\$ 418</u>	<u>39</u>	<u>\$ -</u>	<u>-</u>
Games played per above		39		-
Games reported on schedule B2's		<u>39</u>		<u>-</u>
Difference		<u>-</u>		<u>-</u>

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
GAMBLING LICENSE #00776
ANALYSIS OF MAXIMUM ALLOWABLE EXPENSES AND STAR RATING
REGULATORY BASIS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
GROSS PROFIT	<u>\$ 2,517,434</u>	<u>\$ 2,242,136</u>
ALLOWABLE EXPENSES		
Cost of games played	167,144	154,882
Compensation and payroll taxes	359,133	354,804
Advertising	14,742	15,211
Accounting and legal expense	19,803	31,497
Bank charges, office supplies and miscellaneous	21,596	13,860
Purchase/maintenance of equipment	26,895	665
Rent	87,984	71,058
Licenses, permits and local investigation fees	249	478
Cash (long) short	<u>6,100</u>	<u>3,640</u>
Total allowable expenses	<u>\$ 703,646</u>	<u>\$ 646,095</u>
LAWFUL PURPOSE EXPENDITURES	<u>\$ 1,808,468</u>	<u>\$ 1,589,799</u>
PERCENTAGE OF LAWFUL PURPOSE EXPENDITURES TO GROSS PROFIT	<u>72%</u>	<u>71%</u>
STAR RATING	5 STAR	5 STAR

Note: The above star rating is based on the entity's fiscal year. State statute determines the star rating based on the year ended June 30. Accordingly, the reportable star rating may be different. For the rating period ended June 30, 2018, the Association's lawful purpose expenditures were 72% of gross profit, which resulted in a 5 star rating.

**LAWFUL GAMBLING FUND OF
BLAINE YOUTH HOCKEY ASSOCIATION
GAMBLING LICENSE #00776
RECONCILIATION OF PROFIT CARRYOVER
REGULATORY BASIS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ADDITIONS		
Cash	\$ 33,491	\$ 38,382
Game banks	33,000	24,000
Due from others	732	-
Prepaid prizes	6,322	-
Deferred fund losses	-	5,643
	<u>73,545</u>	<u>68,025</u>
Total additions		
SUBTRACTIONS		
Accounts payable - prizes	<u>200</u>	<u>-</u>
Total subtractions	<u>200</u>	<u>-</u>
PROFIT CARRYOVER FROM FINANCIAL STATEMENTS	73,345	68,025
PROFIT CARRYOVER FROM GAMBLING CONTROL BOARD	<u>73,345</u>	<u>68,025</u>
VARIANCE FROM BALANCE	<u>\$ -</u>	<u>\$ -</u>

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

Board of Directors and Members
Blaine Youth Hockey Association
Gambling License #00776
Blaine, Minnesota

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 Blaine Youth Hockey Association, which comprise the statements of assets, liabilities and profit carryover - regulatory basis as of March 31, 2019, and the related statements of revenue, expenses and changes in profit carryover - regulatory basis and statements of gaming revenue - regulatory basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 17, 2019.

In connection with our audit, nothing came to our attention that caused us to believe that the Association failed to comply with the terms, covenants, provisions, or conditions of the regulatory checklist questionnaire per Minnesota Rule 8122.0550 Subp. 6B, inclusive, as included on page 15, 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 checklist, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of directors, management, and members 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.

Shidell Mair & Richardson PLLP

July 17, 2019
St. Paul, Minnesota

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, 2019**

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. Yes No N/A
2. The organization had a licensed gambling manager at all times gambling was conducted. 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. Yes No N/A
4. The organization's gambling manager was bonded for an amount of at least \$10,000. 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. Yes No N/A
6. The organization did not pre-sign gambling account checks. Yes No N/A
7. The organization did not use signature stamps to sign gambling account checks. 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 N/A
9. The organization has paid all rent for the lease of premises in accordance with its lease agreement(s). Yes No N/A

REPORT ON INTERNAL CONTROL

Board of Directors and Members
Blaine Youth Hockey Association
Gambling License #00776
Blaine, Minnesota

In planning and performing our audit of the financial statements - regulatory basis of the Lawful Gambling Fund of Blaine Youth Hockey Association, as of and for the year ended March 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing our 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 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 Association's financial statements - regulatory basis will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we considered a material weakness.

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 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 functions, the responsibility for internal controls cannot be outsourced.

The Association engages Shidell Mair & Richardson PLLP to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Shidell Mair & Richardson PLLP 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.

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 of internal control due to this lack of segregation of duties, the Association's management should be constantly aware of this condition. The most effective control lies with continued active involvement by the board of directors in the financial activities of the Association's lawful gambling operation.

Inadequate Documentation for Electronic Gaming

The distributor for electronic gaming electronically calculates fees, receipts, and prizes for the games as a service organization without providing supporting transaction documentation. The Association is reliant on the service organization for accurate calculation as it has no oversight or access to the service organization's internal accounting processes. Without access to the service organization's controls or supporting transaction reports, misstatements resulting from fraud or error could occur without being detected or prevented by management.

Compliance Issues

In performing our audit procedures on donations, it was noted that not all donations were approved in the meeting minutes before giving them out. The Association should strengthen its procedures to ensure that all donations are being approved and discussed in the meeting minutes before giving them out.

In performing our audit procedures on pulltab games, it was noted that one ticket was not properly defaced and four pulltab games had a material variance between the amount reported on the Schedule B2 and the actual amount. The Association's management should strengthen its procedures to remind sellers and game auditors of the requirements to properly complete the prize receipts and winning pulltab tickets.

This report is intended solely for the information and use of the board of directors, management, and members 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.

Shidell Mair & Richardson PLLP

July 17, 2019
St. Paul, Minnesota