

**LAWFUL GAMBLING FUND OF
OSSEO-MAPLE GROVE HOCKEY ASSOCIATION**

**License # 02505
MN ID# 2047369
Federal ID# 41-1326427**

**REGULATORY BASIS
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Years Ended May 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Osseo-Maple Grove Hockey Association
Maple Grove, Minnesota

Qualified Opinion

We have audited the accompanying financial statements of the Lawful Gambling Fund of Osseo-Maple Grove Hockey Association, which comprise the regulatory basis statements of assets, liabilities, and profit carry-over as of May 31, 2023 and 2022, and the related regulatory basis statements of revenues, expenses, and changes in profit carry-over for the years then ended, and the related notes to the regulatory basis financial statements.

In our opinion, except for the possible effects of relying on the service organization for electronic pull-tabs and electronically linked bingo described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and profit carry-over of the Lawful Gambling Fund of Osseo-Maple Grove Hockey Association as of May 31, 2023 and 2022, and its revenue and expenses for the years then ended, in accordance with the financial reporting practices prescribed or permitted by the State of Minnesota for lawful gambling operations as described in Note 1.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, the Lawful Gambling Fund of Osseo-Maple Grove Hockey Association sells electronic pull-tabs and electronically linked bingo. The distributor of these games electronically calculates the fees, receipts and prizes paid as a service organization. We are unable to obtain sufficient appropriate audit evidence to ensure the accuracy of the data provided by the service organization.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lawful Gambling Fund of Osseo-Maple Grove Hockey Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared by the Lawful Gambling Fund of Osseo-Maple Grove Hockey Association in accordance with the financial reporting practices prescribed or permitted by the State of Minnesota, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Minnesota. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting practices prescribed or permitted by the State of Minnesota. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lawful Gambling Fund of Osseo-Maple Grove Hockey Association's internal control. Accordingly, no such opinion is expressed.



- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events; considered in the aggregate, that raise substantial doubt about the Lawful Gambling Fund of Osseo-Maple Grove Hockey Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Restriction on Use

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

Barton, Walter & Krue, P.C.

Maple Grove, Minnesota
November 21, 2023

Principal auditor: James N. Stelzer



LAWFUL GAMBLING FUND OF OSSEO-MAPLE GROVE HOCKEY ASSOCIATION
(License #02505)
(MN ID# 2047369)
(Federal ID # 41-1326427)

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

May 31, 2023 and 2022

ASSETS

	2023	2022
Cash		
Gambling Bank Accounts:		
Checking	\$ 122,808	\$ 158,172
Games closed	17,562	14,971
Starting game banks	21,200	28,000
Total Cash	161,570	201,143
Prepaid gaming prizes	1,040	580
 TOTAL ASSETS	 \$ 162,610	 \$ 201,723

LIABILITIES AND PROFIT CARRY-OVER

	2023	2022
LIABILITIES		
Due to general fund	\$ 45,000	\$ 45,000
Electronic linked bingo prize payable	1,898	1,988
TOTAL LIABILITIES	46,898	46,988
 PROFIT CARRY-OVER	 115,712	 154,735
 TOTAL LIABILITIES AND PROFIT CARRY-OVER	 \$ 162,610	 \$ 201,723

See Notes to Regulatory Basis Financial Statements

LAWFUL GAMBLING FUND OF OSSEO-MAPLE GROVE HOCKEY ASSOCIATION
(License #02505)
(MN ID#2047369)
(Federal ID# 41-1326427)

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

Years Ended May 31, 2023 and 2022

	2023	%	2022	%
	Amount		Amount	
REVENUES				
Bingo receipts	\$ 452,933	1.8	\$ 282,183	1.2
Electronic linked bingo receipts	117,317	.5	68,520	.3
Electronic pull-tab receipts	8,428,501	33.1	6,439,475	28.3
Pull-tab receipts	16,420,039	64.5	15,936,397	70.1
Tipboard receipts	17,489	.1	22,700	.1
TOTAL REVENUES COLLECTED	25,436,279	100.0	22,749,275	100.0
COST OF REVENUES				
Bingo prizes	430,219	1.7	259,304	1.1
Electronic linked bingo prizes	99,719	.4	58,242	.3
Electronic pull-tab prizes	7,225,033	28.4	5,608,590	24.7
Pull-tab prizes	14,387,498	56.6	13,919,843	61.1
Tipboard prizes	11,640	-	15,160	.1
TOTAL COST OF REVENUES	22,154,109	87.1	19,861,139	87.3
GROSS PROFIT	3,282,170	12.9	2,888,136	12.7
ALLOWABLE EXPENSES	1,359,750	5.3	1,083,280	4.8
INCOME BEFORE LAWFUL PURPOSE AND BOARD APPROVED EXPENDITURES	1,922,420	7.6	1,804,856	7.9
LAWFUL PURPOSE EXPENDITURES				
GAMBLING TAXES				
State 8.5% tax	2,003	-	2,352	-
State board fees	31,801	.1	28,310	.1
State combined receipts tax	1,139,594	4.5	997,003	4.4
TOTAL GAMBLING TAXES	1,173,398	4.6	1,027,665	4.5
PROGRAM EXPENDITURES	788,045	3.1	710,517	3.1
TOTAL LAWFUL PURPOSE EXPENDITURES	1,961,443	7.7	1,738,182	7.6
REVENUES IN EXCESS OF EXPENSES (EXPENSES IN EXCESS OF REVENUES)	(39,023)	(.1)	66,674	.3
PROFIT CARRY-OVER - BEGINNING OF YEAR	154,735		88,061	
PROFIT CARRY-OVER - END OF YEAR	\$ 115,712		\$ 154,735	

See Notes to Regulatory Basis Financial Statements

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NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The Osseo-Maple Grove Hockey Association (the Organization) was established in 1975 for the purpose of providing an opportunity for the Osseo-Maple Grove area youth to play organized hockey. For the current year, the Organization operated lawful gambling at five permitted gambling sites to increase its program services and thereby better serve the community. The forms of lawful gambling conducted by the Organization for the years ended May 31, 2023 and 2022 were pull-tabs, tip boards, bar bingo, electronic pull-tabs and electronic linked bingo. Revenues in excess of allowable expenses generated by the Lawful Gambling Fund can only be used for lawful purposes and board approved expenditures as defined by Minnesota statutes.

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

Use of Estimates - The preparation of financial statements in accordance with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

Inventories - The Organization accounts for inventory using the cash basis and purchases are expensed when paid as required under the regulatory basis of accounting.

(Continued)

LAWFUL GAMBLING FUND OF OSSEO-MAPLE GROVE HOCKEY ASSOCIATION
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NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due to General Fund - Due to general fund represents monies advanced to the Organization's lawful gambling fund to commence lawful gambling. The loan will be paid back at the discretion of the Board of Directors.

Bingo Receipts - Gross receipts represent amounts collected from customers net of bingo coupons and discounts.

Electronic Pull-Tabs - During the years ended May 31, 2023 and 2022, the Organization sold electronic pull-tabs. The Organization maintains a single starting cash bank for the electronic pull-tabs. At the end of each session, the net receipts in excess of the starting bank are deposited. Net disbursements are carried over and occasionally reimbursed. A report is provided by the distributor of the electronic pull-tabs 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 game fees.

Subsequent Events - Management has evaluated subsequent events from June 1, 2023 through November 21, 2023, the date the financial statements were available to be issued. There were no subsequent events determined by the Organization to be recognized or disclosed in the financial statements.

(2) INVENTORIES

The Organization expenses the cost of game purchases, including sales tax, on the cash basis. In addition, the Organization maintains a perpetual inventory of games on hand. These games are extended at cost excluding sales tax and consist of the following at May 31, 2023 and 2022:

	2023		2022	
	Number of Games	Extended Cost	Number of Games	Extended Cost
Pull-Tabs	81	\$ 5,476	102	\$ 6,846
Tipboards	124	\$ 620	84	\$ 374

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NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS

(3) COMMITMENTS

The Organization leases space for the sites of its lawful gambling activities within the Cities of Osseo and Maple Grove. The lease agreement at Duffy's Bar & Grill requires monthly rent expense of 10% of gross profits, not to exceed \$875 per month. The lease agreements at Maple Tavern, Malone's Bar, Rock Elm and Max's on Main require monthly rent expense of 10% of gross profits, not to exceed \$1,750 per month plus 15% of gross profits for bar-operated electronic pull-tab and linked bingo games. Gambling activities at Rock Elm were discontinued after March 2023. The lease agreements run concurrently with the perpetual premise permits and can be terminated by either party with a thirty day notice. Rent expense for the years ended May 31, 2023 and 2022 was \$258,610 and \$185,319.

The Organization has an agreement with a distributor of electronic pull tabs requiring monthly payment of 31% of the net receipts generated by the sale of electronic pull tabs in the previous month. The agreement may be terminated with notification six months prior to the effective date of termination. Expense for electronic pull tabs was \$400,565 and \$276,008 for the years ended May 31, 2023 and 2022.

(4) INCOME TAXES

The Organization is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. However, the Organization is required to pay state and federal income taxes on unrelated business income. Under the regulatory method, income taxes are expensed when paid. At May 31, 2023, the Organization had net operating loss carryforwards available to reduce future unrelated business income of approximately \$52,000.

The Organization is subject to routine audits by taxing jurisdictions, generally for three years after the returns are filed; however, there are currently no audits for any tax periods in progress.

(5) GAMES TESTED AND RESULTS

Subsequent to year-end, the Organization's independent auditors selected forty-two pull-tab games, selected from all active sites, including games with unsold tickets, twelve bingo sessions and six tipboard games to be tested as a part of their audit. No exceptions were noted during testing.

The inventory of games was observed by two members of the Organization not directly involved in the gambling operations on June 1, 2023. Our testing of the Organization's inventory and purchases resulted in showing eighty one pull-tab games in ending inventory. No exceptions in the Organization's perpetual inventory records were noted.

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NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS

(6) RELATED PARTY TRANSACTIONS

The Organization's Lawful Gambling Fund donated \$680,000 and \$600,000 in the years ended May 31, 2023 and May 31, 2022 to its parent Organization to further promote the parent's mission. These amounts were pre-approved by the Gambling Control Board and are included in program expenditures. The remaining program expenditures were to unrelated organizations.

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



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

To the Board of Directors and Members
Osseo-Maple Grove Hockey Association
Maple Grove, Minnesota

We have audited the financial statements of the Lawful Gambling Fund of Osseo-Maple Grove Hockey Association as of and for the years ended May 31, 2023 and 2022, and our report thereon dated November 21, 2023, which expressed a qualified opinion on those financial statements, relating to the possible effects of relying on the service organization for electronic pull-tabs and electronically linked bingo, appears on pages one through three. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 11 through 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Barton, Walter & Krier, P.C.

Maple Grove, Minnesota
November 21, 2023



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RECONCILIATION OF GAMES USED
REGULATORY BASIS

Years Ended May 31, 2023 and 2022

	2023		2022	
	Amount	Number of Games	Amount	Number of Games
PULL-TABS				
COST OF GAMES USED				
Beginning inventories	\$ 6,846	102	\$ 3,602	65
Purchases	229,035	3,411	211,414	3,472
	235,881	3,513	215,016	3,537
Less ending inventories	5,476	81	6,846	102
Games used	\$ 230,405	3,432	\$ 208,170	3,435
RECONCILIATION OF GAMES USED				
Games used per books above		3,432		3,435
Games used and reported per Schedule B-2s		3,432		3,435
DIFFERENCE OR POSSIBLE UNREPORTED GAMES		-		-
TIPBOARDS				
COST OF GAMES USED				
Beginning inventories	\$ 374	84	\$ 240	64
Purchases	2,940	624	2,871	708
	3,314	708	3,111	772
Less ending inventories	620	124	374	84
Games used	\$ 2,694	584	\$ 2,737	688
RECONCILIATION OF GAMES USED				
Games used per books above		584		688
Games used and reported per Schedule B-2s		584		688
DIFFERENCE OR POSSIBLE UNREPORTED GAMES		-		-

LAWFUL GAMBLING FUND OF OSSEO-MAPLE GROVE HOCKEY ASSOCIATION
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ANALYSIS OF ALLOWABLE EXPENSES AND STAR RATING
REGULATORY BASIS

Years Ended May 31, 2023 and 2022

	2023	2022
GROSS PROFIT	\$ 3,282,170	\$ 2,888,136
ALLOWABLE EXPENSES		
Accounting and legal services	\$ 21,138	\$ 17,356
Bank charges and miscellaneous supplies	37,716	42,643
Bond and license renewal	100	-
Cash shortages	8,626	11,453
Compensation and payroll taxes	376,598	316,375
Cost of games	253,740	232,643
Electronic linked bingo fees	2,657	1,483
Electronic pull-tab fees	400,565	276,008
Rent	258,610	185,319
TOTAL ALLOWABLE EXPENSES	\$ 1,359,750	\$ 1,083,280
LAWFUL PURPOSE EXPENDITURES	\$ 1,961,443	\$ 1,738,182
PERCENTAGE OF LAWFUL PURPOSE EXPENDITURES TO GROSS PROFIT	59.8	60.2
STAR RATING	5 Stars	5 Stars

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

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**RECONCILIATION OF PROFIT CARRY-OVER
REGULATORY BASIS**

Years Ended May 31, 2023 and 2022

	2023	2022
ADDITIONS		
Cash		
Cash in checking	\$ 122,808	\$ 158,172
Cash receipts not deposited from games closed and reported on schedule B	17,562	14,971
Cash in starting game banks	21,200	28,000
Prepaid gaming prizes	1,040	580
TOTAL ADDITIONS	162,610	201,723
SUBTRACTIONS		
Due to general fund	45,000	45,000
Electronic linked bingo prize payable	1,898	1,988
TOTAL SUBTRACTIONS	46,898	46,988
PROFIT CARRY-OVER FROM FINANCIAL STATEMENTS	115,712	154,735
PROFIT CARRY-OVER FROM TAX REPORT	115,712	154,735
VARIANCE FROM BALANCE	\$ -	\$ -



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

To the Board of Directors and Members
Osseo-Maple Grove Hockey Association
Maple Grove, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the regulatory basis financial statements of Lawful Gambling Fund of Osseo-Maple Grove Hockey Association, which comprise the statements of assets, liabilities, and profit carryover as of May 31, 2023 and 2022 and the related statements of revenues, expenses, and changes in profit carryover for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that Lawful Gambling Fund of Osseo-Maple Grove Hockey 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 Organization's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the indenture, insofar as they relate to accounting matters.

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

Barton, Walter & Krier, P.C.

Maple Grove, Minnesota
November 21, 2023



REGULATORY CHECKLIST QUESTIONNAIRE

Minnesota Rule 8122.0550 Subp. 6B

NAME OF ORGANIZATION: Osseo-Maple Grove Hockey Association

ORGANIZATION LICENSE NUMBER: 02505 DATE OF AUDIT OR REVIEW: May 31, 2023

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

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and Members
Osseo-Maple Grove Hockey Association
Maple Grove, Minnesota

In planning and performing our audit of the regulatory basis financial statements of the Lawful Gambling Fund of Osseo-Maple Grove Hockey Association (the Organization) as of and for the year ended May 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal controls and considered their nature as follows:

- A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.
- 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.
- 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.

We identified the following deficiencies in the Organization's internal control:

Significant Deficiency - Oversight of the Financial Reporting Process

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



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

Significant Deficiency - Segregation of Duties

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

Significant Deficiency - Cash Shortages

Cash shortages from gambling activities have decreased from the prior year. We recommend a continuing emphasis be placed on the reconciliation of cash during shift changes.

* * * * *

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

Barton, Walter & Krier, P.C.

BARTON, WALTER & KRIER P.C.
Maple Grove, Minnesota
November 21, 2023

