

Financial Statements and Supplementary Information

YEARS ENDED DECEMBER 31, 2017 AND 2016

INDEPENDENT AUDITOR'S REPORT

Board of Directors of Grand Victoria Foundation

We have audited the accompanying financial statements of the Grand Victoria Foundation, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows 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 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 Foundation'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 Foundation'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 Grand Victoria Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Grand Victoria Foundation as a whole. The supplementary information included on page 11 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 audits 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.

BDO USA, LLP
Chicago, Illinois
May 22, 2018

STATEMENTS OF FINANCIAL POSITION

	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 472,393	\$ 521,042
Contribution receivable - Elgin Riverboat Resort (Note 4)	4,609,432	4,465,225
Prepaid expenses	2,160	2,960
Investments (Note 3)	124,981,705	110,891,084
EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
(net of accumulated depreciation and amortization of \$613,787 and \$636,744, respectively)	62,227	64,624
TOTAL ASSETS	\$ 130,127,917	\$ 115,944,935
LIABILITIES		
Accounts payable and accrued expenses (Note 5)	\$ 153,253	\$ 139,871
Deferred federal excise tax	508,115	251,921
Deferred rent expense	64,025	63,314
Grants payable	833,000	1,305,730
TOTAL LIABILITIES	1,558,393	1,760,836
UNRESTRICTED NET ASSETS		
Undesignated	127,262,759	112,367,629
Board designated grant commitments (Note 6)	1,306,765	1,816,470
TOTAL UNRESTRICTED NET ASSETS	128,569,524	114,184,099
TOTAL LIABILITIES AND NET ASSETS	\$ 130,127,917	\$ 115,944,935

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2017	Year Ended December 31, 2016
REVENUE		
Contribution from Elgin Riverboat Resort	\$ 4,609,432	\$ 4,465,225
Interest and dividends	2,772,452	2,592,736
Realized gain (loss) on sales of investments	1,344,859	(55,449)
	8,726,743	7,002,512
EXPENSES		
Grants	4,729,242	4,903,001
Program expenses	1,376,804	1,142,225
Management and general expenses	687,826	680,064
Current federal excise tax expense	95,000	85,000
Deferred federal excise tax expense	256,194	100,591
	7,145,066	6,910,881
INCREASE IN NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS	1,581,677	91,631
Unrealized gain on investments	12,803,748	5,029,593
INCREASE IN NET ASSETS	14,385,425	5,121,224
UNRESTRICTED/UNDESIGNATED NET ASSETS, BEGINNING OF YEAR	112,367,629	108,404,875
Transfer from (to) unrestricted/board designated grant commitments	509,705	(1,158,470)
UNRESTRICTED/UNDESIGNATED NET ASSETS, END OF YEAR	\$ 127,262,759	\$ 112,367,629
UNRESTRICTED/BOARD DESIGNATED GRANT COMMITMENTS, BEGINNING OF YEAR	\$ 1,816,470	\$ 658,000
Transfer (to) from unrestricted/undesignated net assets	(509,705)	1,158,470
UNRESTRICTED/BOARD DESIGNATED GRANT COMMITMENTS, END OF YEAR	\$ 1,306,765	\$ 1,816,470

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2017	Year Ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 14,385,425	\$ 5,121,224
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Deferred federal excise tax	256,194	100,591
Depreciation and amortization	39,932	36,379
Gain on investments, net	(14,148,607)	(4,974,144)
Changes in operating assets and liabilities		
Contribution receivable	(144,207)	876,699
Prepaid expenses	800	-
Accounts payable and accrued expenses	13,382	22,224
Deferred rent expense	711	2,651
Grants payable	(472,730)	(643,770)
Net cash (used in) provided by operating activities	(69,100)	541,854
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,620,833)	(11,580,310)
Proceeds from sales of investments	4,678,819	10,998,079
Purchases of equipment and leasehold improvements	(37,535)	(5,902)
Net cash provided by (used in) investing activities	20,451	(588,133)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(48,649)	(46,279)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	521,042	567,321
CASH AND CASH EQUIVALENTS, AT END OF YEAR	\$ 472,393	\$ 521,042

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Grand Victoria Foundation (the "Foundation") is a private charitable foundation sponsored by the Elgin Riverboat Resort (the "Resort"), which operates the Grand Victoria Casino. The Foundation primarily supports efforts and projects for the general benefit and welfare of the City of Elgin, Kane County and the State of Illinois, with a primary focus on programs related to education, environmental matters and economic and community development.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consists of interest-bearing investments with original maturities of three months or less. These investments are reflected at fair value.

Investment Valuation and Income Recognition

Unless otherwise noted below, the investments of the Foundation are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

Mutual Funds - Mutual funds represent investments with various investment managers. The fair values of these investments are determined by reference to the fund's underlying assets, which are principally marketable equity and fixed income securities. Shares held in mutual funds that trade on national securities exchanges are valued at the net asset value ("NAV") and are classified within Level 1 of the valuation hierarchy.

Money Market Funds - Money market funds are valued using the amortized cost method which approximates their fair value. These investments are classified within Level 1 of the valuation hierarchy.

Common Trust Funds - Common Trust Funds are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV's unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments which are traded on an active market.

Investment Income

Realized and unrealized gains and losses from changes in market values are reflected in the Statements of Activities and Changes in Net Assets.

Investment sales and purchases are recorded on a trade-date basis, which results in both investment receivables and payables on unsettled investment trades. Dividend income is recorded based upon the ex-dividend date, and interest income is recorded as earned on an accrual basis.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is provided using the straight-line method over the estimated useful life of the respective asset (three - ten years). Amortization of leasehold improvements is provided using the straight-line method over the shorter of the useful life of the property being amortized or the term of the lease.

Depreciation and amortization expense for 2017 and 2016 was \$39,932 and \$36,379, respectively.

Grants Payable

Grants specifically committed to designated grantees but not yet paid are accrued as grants payable.

Net Assets

The net assets of the Foundation are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. However, as a private charitable foundation, it is subject to a federal excise tax based on net investment income. Deferred federal excise tax expense represents taxes provided on the net unrealized appreciation on investments, using a rate of 2%.

Uncertainty in Income Taxes

Tax positions for open tax years were reviewed, and it was determined that no provision for uncertain tax positions is required to be recorded. The Foundation recognizes any corresponding interest or penalties associated with its income tax position in income tax expense. There was no corresponding interest or penalties incurred for 2017 or 2016.

Fair Value of Financial Instruments

The fair values of cash and cash equivalents, contribution receivables, accounts payable, and accrued expenses approximate carrying amounts because of the immediate or short-term maturity of these instruments.

Subsequent Events

The Foundation has evaluated subsequent events through May 22, 2018, the date the financial statements were available to be issued. No material subsequent events have occurred through May 22, 2018 that required recognition or disclosure in these financial statements.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Foundation until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior

reporting period presented or with the cumulative effect being recognized at the date of initial application. Management does not believe the accounting for any of their current revenue sources would be affected by the adoption of ASU 2014-09.

In February 2016, the FASB issued ASU No. 2016-02, "Leases." The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the impact that adoption of this new standard will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, "*Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities.*" The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Foundation's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of ASU 2016-14 on the Foundation's financial statements.

NOTE 2 CONCENTRATION OF CREDIT RISK

The Foundation maintains its primarily non-interest-bearing cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not exposed to any significant credit risk on cash.

NOTE 3 INVESTMENTS

In accordance with Accounting Standards Codification ("ASC") 820-10, "Fair Value Measurements," fair value is defined as the price that the Foundation would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820-10 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be

observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based upon market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions of what market participants would use in pricing the asset or liability based upon the best information available. There are no changes in valuation methodologies during the years ended December 31, 2017 and 2016.

The standard describes three levels of inputs that may be used to measure fair value.

- Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
- Level 2 – Inputs to the valuation methodology, other than quoted prices in active markets, are either directly or indirectly observable as of the reporting date, and the fair value can be determined through the use of models or other valuation methodologies; and
- Level 3 – Inputs to valuation methodology are unobservable inputs in situations where there is little or no market activity of the asset and liability and the reporting entity makes estimates and assumptions relating to the pricing of the asset or liability including assumptions regarding risk.

Investments consist of the following:

	December 31, 2017		December 31, 2016	
	Cost	Market Value	Cost	Market Value
<i>Mutual Funds</i>				
Large Blend fund	\$ 25,267,312	\$ 46,388,565	\$ 25,690,237	\$ 40,294,902
Foreign Large Blend fund	26,332,973	31,293,296	26,463,126	25,543,022
Intermediate – Term Bond funds	23,687,828	22,963,810	23,053,699	22,008,971
Bank Loan fund	12,392,439	12,219,459	11,935,221	11,696,939
	87,680,552	112,865,130	87,142,283	99,543,834
<i>Money Market Fund</i>				
Government portfolio fund	1,206,444	1,206,444	515,776	515,776
<i>Common Trust Funds -</i>				
<i>Government/Credit</i>				
Index Strategy*	10,694,310	10,910,131	10,636,950	10,831,474
	\$ 99,581,306	\$ 124,981,705	\$ 98,295,009	\$ 110,891,084

The following is a summary of the inputs used as of December 31, 2017 and 2016 in valuing the Foundation's investments:

	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Mutual Funds</i>				
Large Blend fund	\$ 46,388,565	\$ 46,388,565	\$ -	\$ -
Foreign Large Blend fund	31,293,296	31,293,296	-	-
Intermediate – Term Bond funds	22,963,810	22,963,810	-	-
Bank Loan fund	12,219,459	12,219,459	-	-
<i>Money Market Fund -</i>				
Government portfolio fund	1,206,444	1,206,444	-	-
<i>Common Trust Funds -</i>				
<i>Government/Credit</i>				
Index Strategy*	10,910,131	-	-	-
Total	\$ 124,981,705	\$ 114,071,574	\$ -	\$ -

	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Mutual Funds</i>				
Large Blend fund	\$ 40,294,902	\$ 40,294,902	\$ -	\$ -
Foreign Large Blend fund	25,543,022	25,543,022	-	-
Intermediate – Term Bond funds	22,008,971	22,008,971	-	-
Bank Loan fund	11,696,939	11,696,939	-	-
<i>Money Market Fund -</i>				
Government portfolio fund	515,776	515,776	-	-
<i>Common Trust Funds -</i>				
Government/Credit Index Strategy*	10,831,474	-	-	-
Total	\$110,891,084	\$100,059,610	\$ -	\$ -

*The investments, which are measured at fair value using the NAV per share (or its equivalent) practical expedient, have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the Statements of Financial Position. There were no unfunded commitments or liquidity or redemption restrictions related to these investments.

NOTE 4 CONTRIBUTION RECEIVABLE

Elgin Riverboat Resort has agreed to contribute to the Foundation 12-1/2% of its annual net operating income (as defined). The contributions are to be made no later than 120 days after the end of the Resort's fiscal year (which is also a calendar year) and are unrestricted.

NOTE 5 401(K) PROFIT SHARING PLAN

The Foundation has a 401(k) Profit Sharing Plan which allows employees to contribute up to 100% of their annual compensation to the plan, subject to IRS limitations. The Foundation matches participant deferrals at a rate of 50% of up to 4% of the employees' annual compensation, a net potential employer match of 2% of annual compensation. The Foundation also makes a discretionary contribution to employees based on salary and length of service. For the years ended December 31, 2017 and 2016, the discretionary contribution was 6% of each eligible employee's annual compensation, respectively. The Foundation's matching contributions were approximately \$13,600 and \$11,600, respectively, for the years ended December 31, 2017 and 2016 and its discretionary contribution approximated \$46,300 and \$36,800, respectively. The discretionary contribution is included in accounts payable and accrued expenses on the Statements of Financial Position.

NOTE 6 BOARD DESIGNATED GRANT COMMITMENTS

As of December 31, 2017 and 2016, the Foundation had approved \$1,306,765 and \$1,816,470, respectively, of grants for which the contingencies in the grants had not been met and, therefore, the liability and expenditures have not been recognized in the financial statements. Upon satisfaction of the contingencies by the recipients, the Foundation will make the grant payments and will recognize the expenditures. These contingent grants are considered by the Foundation to be unrestricted Board designated grant commitments.

NOTE 7 LEASE COMMITMENTS

The Foundation occupies its Chicago office under a lease that expires in 2023. The Foundation also has an office lease for the Elgin location expiring on October 1, 2018. Rent expense for the years ended December 31, 2017 and 2016 was \$189,878 and \$175,240, respectively.

Future minimum lease payments (excluding operating expenses) are as follows:

	Amount
2018	\$ 115,134
2019	80,873
2020	82,845
2021	84,818
2023	86,790
Thereafter	43,888
Total	<u>\$494,348</u>

SUPPLEMENTARY INFORMATION

	Year Ended December 31, 2017	Year Ended December 31, 2016
SCHEDULES OF PROGRAM, MANAGEMENT AND GENERAL EXPENSES		
Salaries	\$ 849,347	\$ 727,309
Professional fees	467,129	438,720
Rent	189,878	175,240
Employee benefits	157,015	139,735
Community outreach programs	93,915	5,058
Office expense	81,595	82,360
Payroll taxes	56,310	48,642
Meetings hosted	53,460	47,303
Leasehold amortization	25,502	25,502
Travel and entertainment	22,992	23,155
Insurance	19,933	16,820
Professional memberships	17,220	16,130
Depreciation	14,430	10,877
Utilities	8,515	8,357
Supplies	3,128	3,545
Postage and delivery	2,443	2,757
Board expense	1,804	353
Miscellaneous	14	27
Recruiting expense	-	50,399
	\$2,064,630	\$1,822,289
Total expenses consist of		
Program	\$1,376,804	\$ 1,142,225
Management and general	687,826	680,064
	\$2,064,630	\$ 1,822,289