



Grand Victoria Foundation

Financial Statements
Years Ended December 31, 2018 and 2017

Grand Victoria Foundation

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Grand Victoria Foundation

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Independent Auditor's Report

Board of Directors
Grand Victoria Foundation
Chicago, Illinois

We have audited the accompanying financial statements of Grand Victoria Foundation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, 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 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 Grand Victoria Foundation as of December 31, 2018 and 2017, 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.

BDO USA, LLP

Chicago, Illinois
September 4, 2019

Financial Statements

Grand Victoria Foundation

Statements of Financial Position

<i>December 31,</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 1,064,897	\$ 472,393
Contribution receivable - Elgin Riverboat Resort (Note 1)	5,569,815	4,609,432
Prepaid expenses	4,375	2,160
Investments (Note 3)	116,365,914	124,981,705
Equipment and leasehold improvements, net of accumulated depreciation of \$638,108 and \$613,787, respectively	36,107	62,227
Total Assets	\$ 123,041,108	\$ 130,127,917
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 342,696	\$ 153,253
Deferred federal excise tax	181,589	508,115
Deferred rent expense	62,732	64,025
Grants payable	2,534,000	833,000
Total Liabilities	3,121,017	1,558,393
Net Assets		
Net Assets Without Donor Restrictions		
Undesignated	118,748,217	127,262,759
Board designated grant commitments (Note 4)	1,171,874	1,306,765
Total Net Assets	119,920,091	128,569,524
Total Liabilities and Net Assets	\$ 123,041,108	\$ 130,127,917

See accompanying notes to financial statements.

Grand Victoria Foundation

Statements of Activities and Changes in Net Assets

<i>Year ended December 31,</i>	2018	2017
Revenue		
Contribution from Elgin Riverboat Resort	\$ 5,569,815	\$ 4,609,432
Interest and dividends	2,992,806	2,772,452
Net investment return	8,393,064	1,265,859
Total revenue	16,955,685	8,647,743
Expenses		
Program	8,700,329	6,093,181
Management and general	582,900	972,885
Total expenses	9,283,229	7,066,066
Change in Net Assets Before Unrealized (Loss) Gains	7,672,456	1,581,677
Unrealized (loss) gain on investments	(16,321,889)	12,803,748
Change in Net Assets	(8,649,433)	14,385,425
Net Assets, beginning of year	128,569,524	114,184,099
Net Assets, end of year	\$ 119,920,091	\$ 128,569,524

See accompanying notes to financial statements.

Grand Victoria Foundation
Statement of Functional Expenses

For the year ended December 31, 2018

	Program	Management and General	Total
Salaries	\$ 992,088	\$ 237,705	\$ 1,229,793
Employee benefits	80,004	51,323	131,327
Payroll taxes	51,380	13,286	64,666
Grant expense	7,137,023	-	7,137,023
Professional fees	237,992	161,878	399,870
Rent	87,693	97,270	184,963
Current federal excise tax expense	-	175,000	175,000
Office expense	-	98,852	98,852
Meetings hosted	49,117	-	49,117
Depreciation	-	38,005	38,005
Community outreach	22,651	-	22,651
Professional development expense	21,181	-	21,181
Insurance	-	20,134	20,134
Travel and entertainment	13,100	-	13,100
Utilities	-	8,351	8,351
Professional memberships	8,100	-	8,100
Supplies	-	4,084	4,084
Board expense	-	3,538	3,538
Deferred federal excise tax benefit	-	(326,526)	(326,526)
Total Functional Expenses	\$ 8,700,329	\$ 582,900	\$ 9,283,229

See accompanying notes to financial statements.

Grand Victoria Foundation

Statement of Functional Expenses

For the year ended December 31, 2017

	Program	Management and General	Total
Salaries	\$ 639,489	\$ 209,858	\$ 849,347
Employee benefits	113,172	43,843	157,015
Payroll taxes	42,140	14,170	56,310
Grant expense	4,729,242	-	4,729,242
Professional fees	295,660	92,469	388,129
Deferred federal excise tax expense	-	256,194	256,194
Rent	85,891	103,987	189,878
Current federal excise tax expense	-	95,000	95,000
Community outreach	93,915	-	93,915
Office expense	-	84,038	84,038
Meetings hosted	53,460	-	53,460
Depreciation	-	39,932	39,932
Travel and entertainment	22,992	-	22,992
Insurance	-	19,933	19,933
Professional memberships	17,220	-	17,220
Utilities	-	8,515	8,515
Supplies	-	3,143	3,143
Board expense	-	1,803	1,803
Total Functional Expenses	\$ 6,093,181	\$ 972,885	\$ 7,066,066

See accompanying notes to financial statements.

Grand Victoria Foundation

Statements of Cash Flows

<i>Year ended December 31,</i>	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ (8,649,433)	\$ 14,385,425
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Deferred federal excise tax	(326,526)	256,194
Depreciation	38,005	39,932
Loss (gain) on investments, net	7,848,280	(14,148,607)
Deferred rent expense	(1,293)	711
Changes in operating assets and liabilities		
Contribution receivable	(960,383)	(144,207)
Prepaid expenses	(2,215)	800
Accounts payable and accrued expenses	189,443	13,382
Grants payable	1,701,000	(472,730)
Net cash used in operating activities	(163,122)	(69,100)
Cash Flows From Investing Activities		
Purchases of investments	(20,942,252)	(4,620,833)
Proceeds from sales of investments	21,709,763	4,678,819
Purchases of equipment and leasehold improvements	(11,885)	(37,535)
Net cash provided by investing activities	755,626	20,451
Increase (Decrease) in Cash and Cash Equivalents	592,504	(48,649)
Cash and Cash Equivalents, at beginning of year	472,393	521,042
Cash and Cash Equivalents, at end of year	\$ 1,064,897	\$ 472,393
Supplemental Disclosure of Cash Flow Activities		
Cash paid for income taxes	\$ 175,000	\$ 95,000

See accompanying notes to financial statements.

Grand Victoria Foundation

Notes to Financial Statements

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, 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

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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 as net investment return.

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.

Contribution Receivable

Elgin Riverboat Resort has agreed to contribute to the Foundation 12.5% of its annual net operating income (as defined). The contributions are to be made no later than 120 days after the end of Elgin Riverboat Resort's fiscal year (which is also a calendar year) and are without donor restriction.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the respective asset (3-10 years). Depreciation of leasehold improvements is computed using the straight-line method over the shorter of the useful life of the property being amortized or the term of the lease.

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:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent the portion of expendable net assets that are available for operations and those designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent the portion of net assets that are subject to donor-imposed restrictions related to a time restraint or for a specific use. The Foundation has no assets with donor restrictions as of December 31, 2018 and 2017.

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Some assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor restrictions and the release of restrictions, respectively. The Foundation has no assets that are perpetual in nature as of December 31, 2018 and 2017.

Contributions

Contributions received are recorded as increases in net assets with donor restrictions or net assets without donor restrictions, depending on the existence of donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

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%. The Foundation is still open to examination by U.S. tax authorities from 2015 forward.

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 2018 or 2017.

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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statement to maintain consistency between periods presented.

Accounting Pronouncements Issued but Not Yet Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "*Leases (Topic 842)*". This update, along with ASU 2018-10, "*Codification Improvements to Topic 842: Leases*", ASU 2018-11, "*Leases (Topic 842): Targeted Improvements*" and ASU 2018-20, "*Leases (Topic 842): Narrow-Scope Improvements for Lessors*", establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded.

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The guidance also expands the required quantitative and qualitative lease disclosures as well as provides entities with an additional (and optional) transition method to adopt the new standard. The ASU is effective for Foundation's fiscal years beginning after December 15, 2019 with early adoption permitted. Management will be evaluating the impact of these ASUs on their financial statements at the appropriate time.

In June 2018, the FASB issued ASU 2018-08, *"Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made"*. The ASU clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. The ASU is effective for transactions in which the entity serves as a resource provider to annual periods beginning after December 15, 2019. Management will be evaluating the impact of these ASUs on their financial statements at the appropriate time.

In August 2018, the FASB issued ASU No. 2018-13, *"Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement"*. The update modifies certain disclosure requirements in Topic 820, Fair Value Measurement. The ASU is effective for the Foundation's financial statements for fiscal years beginning after December 15, 2019. Management will be evaluating the impact of these ASUs on their financial statements at the appropriate time.

Recently Adopted Authoritative Guidance

In August 2016, the FASB issued ASU 2016-14, *"Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities"*. The update addresses the complexity and understandability of net asset classification, provides information about liquidity and availability of resources and improves the type of information provided about expenses and investment return. The Foundation has adopted the ASU retrospectively and adjusted the presentation of these financial statements accordingly. Other than the changes to the financial statement presentation and disclosures described above, adoption of the ASU did not have a significant impact on the financial statements. There was no effect on the change in net assets for the year ended December 31, 2017.

Subsequent Events

The Foundation has evaluated subsequent events through September 4, 2019, the date the financial statements were available to be issued. No material subsequent events have occurred through September 4, 2019 that required recognition or disclosure in these financial statements.

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

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such accounts. Management believes that the Foundation is not exposed to any significant credit risk on cash.

3. Investments

The Foundation uses the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Accounting Standards Codification 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the 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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes to valuation methodologies during the years ended December 31, 2018 and 2017.

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for Level 2 investments are determined by reference to quoted market transactions for assets similar to those held to support the underlying assets.

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Fair values of assets measured on a recurring basis were as follows:

	December 31, 2018	Quotes 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	\$ 31,917,584	\$ 31,917,584	\$ -	\$ -
Foreign Large Blend fund	21,000,984	21,000,984	-	-
Intermediate - Term Bond funds	36,044,157	36,044,157	-	-
Bank Loan fund	12,315,481	12,315,481	-	-
<i>Money Market Fund</i> - Government portfolio fund	2,993,091	2,993,091	-	-
<i>Common Trust Funds</i> -				
Government/Credit Index Strategy *	12,094,617	-	-	-
	\$ 116,365,914	\$ 104,271,297	\$ -	\$ -

	December 31, 2017	Quotes 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> -				
Government/Credit Index Strategy *	10,910,131	-	-	-
	\$ 124,981,705	\$ 114,071,574	\$ -	\$ -

* 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.

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Investments at December 31 consist of the following:

December 31,	2018		2017	
	Cost	Market Value	Cost	Market Value
<i>Mutual Funds</i>				
Large Blend fund	\$ 20,236,414	\$ 31,917,584	\$ 25,267,312	\$ 46,388,565
Foreign Large Blend fund	21,691,893	21,000,984	26,332,973	31,293,296
Intermediate-Term Bond funds	37,693,034	36,044,157	23,687,828	22,963,810
Bank Loan fund	12,928,305	12,315,481	12,392,439	12,219,459
	92,549,646	101,278,206	87,680,552	112,865,130
<i>Money Market Fund - Government portfolio fund</i>	2,993,091	2,993,091	1,206,444	1,206,444
<i>Corporate/Government Portfolio fund</i>				
Government/Credit Index Strategy	11,743,730	12,094,617	10,694,310	10,910,131
	\$ 107,286,467	\$ 116,365,914	\$ 99,581,306	\$ 124,981,705

4. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions consists of the following at December 31:

	2018		2017	
Undesignated	\$ 118,748,217	\$ 127,262,759		
Board designated grant commitments	1,171,874	1,306,765		
Total Net Assets	\$ 119,920,091	\$ 128,569,524		

As of December 31, 2018 and 2017, the Foundation approved \$1,171,874 and \$1,306,765, 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 without donor restriction Board designated grant commitments.

5. Lease Commitments

The Foundation occupies its Chicago office under a lease that expires June 30, 2023. The Foundation also has an office lease for the Elgin location that expires September 30, 2023. Rent expense for the years ended December 31, 2018 and 2017 was \$184,963 and \$189,878, respectively.

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Notes to Financial Statements

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

2019	\$	118,754
2020		120,726
2021		122,699
2022		124,671
2023		72,299
	\$	559,149

6. 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, 2018 and 2017, the discretionary contribution was 6% of each eligible employee's annual compensation, respectively. The Foundation's matching contributions were approximately \$11,300 and \$13,600, respectively, for the years ended December 31, 2018 and 2017 and its discretionary contribution approximated \$32,100 and \$46,300, respectively. The discretionary contribution is included in accounts payable and accrued expenses on the statements of financial position.

7. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

<i>December 31,</i>	2018	2017
Cash and cash equivalents	\$ 1,064,897	\$ 472,393
Contributions receivable	5,569,815	4,609,432
Investments - current	116,365,914	124,981,705
Total financial assets available within one year	123,000,626	130,063,530
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Board designated grant commitments	(1,171,874)	(1,306,765)
Total amounts unavailable for general expenditures within one year	(1,171,874)	(1,306,765)
Total Financial Assets Available to Management for General Expenditures Within One Year	\$ 121,828,752	\$ 128,756,765

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Investments are included in the table above as these assets are available to be used should the Foundation deem necessary; however, the investments are not expected to be used within one year.