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**LOUISIANA THOROUGHBRED
BREEDERS ASSOCIATION**

December 31, 1992

Audit of Financial Statements

December 31, 1992

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 7 1998

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Board of Directors
Louisiana Thoroughbred Breeders Association

Independent Auditor's Report

We have audited the statement of assets, liabilities, and fund balance - modified cash basis of **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** (a non-profit organization) as of December 31, 1992 and the related statements of revenues and expenses - modified cash basis, and changes in fund balance - modified cash basis, for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the Association's policy is to prepare its financial statements on the modified basis of cash receipts and disbursements; consequently, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

As discussed in Note F, the Association has recorded accounts receivable related to the publication of the *Louisiana Horse* magazine. In our opinion, accounts receivable should not be recorded using the modified cash basis of accounting. The effect of recording accounts receivable is to increase assets, fund balance and revenues by \$48,310.

In our opinion, except for the effects of recording accounts receivable, as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balance of **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** as of December 31, 1992, and its revenue and expense and changes in fund balance for the year then ended on the basis of accounting as described in Note A.

LaPorte, Sehart, Romig & Hand
A Professional Accounting Corporation

March 24, 1993

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LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE-MODIFIED CASH BASIS

December 31, 1992
 With Comparative Totals for 1991

	Unrestricted		Restricted			Total's (Memorandum Only)	
	Operating	Louisiana Horse	Louisiana Champions Day	SALAM	OTB - Open Races	1992	1991
ASSETS							
CURRENT ASSETS							
Cash - Checking	\$ 244,813	\$ 48,940	\$ 28,900	\$ 29,785	\$ 49,704	\$ 402,621	\$ 256,581
Investments - Certificates of Deposits and Treasury Notes	90,000	100,000	-	-	1,173,136	1,363,136	1,402,097
Accounts Receivable	-	48,310	-	-	76,499	48,310	58,223
Due from State Treasury	-	-	-	-	-	-	75,000
Due from Other Funds	-	-	-	-	-	-	715
NSF Checks Held	30	-	-	-	-	30	-
Total Current Assets	<u>334,843</u>	<u>197,250</u>	<u>28,900</u>	<u>29,785</u>	<u>1,299,339</u>	<u>1,890,596</u>	<u>1,792,616</u>
PROPERTY AND EQUIPMENT							
Buildings, Furniture, Fixtures and Equipment	255,286	43,816	-	-	-	299,102	287,228
Less: Accumulated Depreciation	<u>137,042</u>	<u>11,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,359</u>	<u>149,111</u>
Property and Equipment - Net	<u>118,244</u>	<u>32,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,743</u>	<u>138,117</u>
OTHER ASSETS							
Utility Deposits	875	-	-	-	-	875	875
Investment - Breeders Sales Company of La., Inc.	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Total Other Assets	<u>20,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,875</u>	<u>20,875</u>
Total Assets	<u>\$ 473,962</u>	<u>\$ 229,749</u>	<u>\$ 28,900</u>	<u>\$ 29,785</u>	<u>\$ 1,299,339</u>	<u>\$ 2,062,214</u>	<u>\$ 1,951,608</u>
LIABILITIES AND FUND BALANCE (DEFICIT)							
LIABILITIES							
Deposits - Futurity Races	\$ 78,970	\$ -	\$ -	\$ -	\$ -	\$ 78,970	\$ 88,274
Accrued Payroll Taxes and Other Liabilities	1,802	-	-	-	-	2,302	-
Due to Other Funds	-	-	-	-	-	-	75,000
Total Liabilities	<u>80,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,272</u>	<u>163,274</u>
FUND BALANCE (DEFICIT)	<u>393,190</u>	<u>229,749</u>	<u>28,900</u>	<u>29,785</u>	<u>1,299,339</u>	<u>1,980,942</u>	<u>1,788,334</u>
Total Fund Balance (Deficit)	<u>\$ 473,962</u>	<u>\$ 229,749</u>	<u>\$ 28,900</u>	<u>\$ 29,785</u>	<u>\$ 1,299,339</u>	<u>\$ 2,062,214</u>	<u>\$ 1,951,608</u>

The accompanying notes are an integral part of these financial statements.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
STATEMENT OF CHANGES IN FUND BALANCE-MODIFIED CASH BASIS**

December 31, 1992
With Comparative Totals for 1991

	Unrestricted		Restricted			Totals (Memorandum Only) 1992	1991	
	Operating	Louisiana Horse	Louisiana Champions Day	SALAM	OTB - Open Races			Political Action Committee
BALANCE - BEGINNING OF YEAR	\$ 336,619	\$ 291,685	\$ 9,155	\$ 27,088	\$ 1,123,786	\$ -	\$ 1,788,334	\$ 1,385,048
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(73,870)	(81,624)	(192,444)	(19,529)	566,682	(6,607)	192,608	403,285
TRANSFER OF FUNDS IN SUPPORT OF THE ASSOCIATION'S PROGRAMS	<u>130,441</u>	<u>19,687</u>	<u>212,189</u>	<u>22,226</u>	<u>(391,129)</u>	<u>6,586</u>	-	-
BALANCE - END OF YEAR	<u>\$ 393,190</u>	<u>\$ 229,749</u>	<u>\$ 28,900</u>	<u>\$ 29,785</u>	<u>\$ 1,299,339</u>	<u>\$ (21)</u>	<u>\$ 1,980,942</u>	<u>\$ 1,788,334</u>

The accompanying notes are an integral part of these financial statements.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** is a non-profit organization which seeks to promote and further the thoroughbred breeding industry within the state of Louisiana.

BASIS OF ACCOUNTING

The Association's policy is to prepare its financial statements on a modified cash basis that includes recording of depreciation on long-lived assets. Under this basis, revenues are generally recognized when collected rather than when earned, and expenses are generally recognized when paid rather than when incurred. Consequently, accrued income, with the exception of accounts receivable as mentioned in Note E, and expenses, payables and deferred expenses which may be material in amount, are not reflected in the accompanying financial statements, which are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles. If an expenditure results in the acquisition of an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated over the estimated useful life of the asset.

TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the combined statements - overview are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present assets, liabilities and fund balance, revenue and expense, and changes in fund balance - modified cash basis in conformity with generally accepted accounting principles.

RESTRICTED FUND - SALAM

Special Accredited Louisiana Bred Maiden races are run at the various race tracks throughout the state. The Association receives 8% of the commission that is earned by the race track hosting each SALAM race. The Association also receives 15.1% of the 6.5% of the total handle on a SALAM race placed at all off-track betting parlors. Finally, the Association receives 15.1% of 1.5% of the portion of the handle placed at off-track betting parlors that represents "exotic" wagers. The Association uses these funds to pay twenty (20) percent of the earned purse of each SALAM race to the breeders of those horses who either Win, Place or Show in the SALAM race.

RESTRICTED FUND - OTB

A portion of the proceeds collected by the off-track betting parlors throughout the state are remitted to the Association according to the following:

- 1) 10% of the winner's share of the purse, from the host track, when an accredited Louisiana bred horse wins an open race at that track,
- 2) 9.1% of at least 5.5% of the daily handle of the off-track betting parlors. The Association has the potential of collecting on a maximum of 6.5% of the handle depending upon the size of the handle.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RESTRICTED FUND - OTB (Continued)

The Association uses the above funds to pay 20% of the earned purse of an open race to the breeders of those horses who are accredited Louisiana bred and either Win, Place or Show in an open race.

Finally, the Association receives 1.5% of the 14% that is remitted by the off-track betting parlors to the state of Louisiana. The Association is obligated to transfer a minimum of 10% of these funds to the operating accounts of the Association as commissions for its assistance in maintaining the OTB - Open Race Fund.

INVESTMENTS

Investments are stated at cost and are comprised of Certificates of Deposit and Treasury Notes, which mature within one year. Also, as mentioned in Note D, the Association has a wholly owned subsidiary (Breeders Sales Company of La., Inc.) which is stated at cost. Use of this method does not result in a material difference from the equity method required by generally accepted accounting principles. In contrast to the Association, the subsidiary operates as a for profit corporation and is not included or consolidated in these financial statements.

NOTE

PROPERTY AND DEPRECIATION

Property and equipment are recorded at cost. Depreciation is provided on the straight-line and accelerated methods over the estimated useful lives of the respective assets. Maintenance and repairs are charged to operations when paid. As mentioned above, betterments and renewals having an estimated useful life which extends beyond the year of acquisition, are capitalized. When property and equipment are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations.

Depreciation charged to the unrestricted fund was \$29,716 in 1992 and \$24,270 in 1991.

DEPOSITS HELD FOR FUTURITY RACES

Funds received in nomination of various thoroughbreds to race in future races are accumulated for several years before the actual races are run, with the funds distributed to the winning thoroughbred owners at that time. These amounts are shown as a liability of the Association. Any interest earnings on these deposited monies is considered revenues of the Association.

INCOME TAXES

The Association meets the requirements of Section 501(c)6 of the Internal Revenue Code and therefore is exempt from Federal Income Taxes.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B

PROPERTY AND EQUIPMENT

Major classifications of property and equipment at December 31, 1992 and 1991 are summarized below:

	Useful Lives (Years)	<u>1992</u>	<u>1991</u>
Office Complex	20	\$ 89,826	\$ 72,703
Furniture and Fixtures	5-10	27,941	27,941
Office Equipment	5-10	137,740	161,929
Transportation Equipment	5-10	<u>43,595</u>	<u>24,655</u>
		299,102	287,228
Accumulated Depreciation		<u>148,359</u>	<u>149,111</u>
		<u>\$150,743</u>	<u>\$138,117</u>

NOTE C

DEFINED CONTRIBUTION PENSION PLAN

The Association has a defined contribution pension plan for all employees who have reached twenty one years of age and have a minimum of one year of service. The annual contribution shall be equal to 25% of each eligible employee's annual wages and shall be paid in January of the year following the year of eligibility.

The contributions paid for in 1992 totalled \$43,675, while they totalled \$41,630 for 1991.

NOTE D

RELATED PARTY TRANSACTIONS

The Association is the sole shareholder of the Breeders Sales Company of Louisiana, Inc. The purpose of this company is to organize and operate horse auctions in order for breeders to have a place to sell their horses. It was formed by the Association's Board of Directors in order to keep the income of the two organizations separate.

During 1992 and 1991, the Association was paid \$0 for the management of the Breeders Sales Company of Louisiana, Inc. In 1992, the Breeders Sales Company of Louisiana, Inc. had net income of \$1,662. However, in 1991 they had a net loss of \$1,604.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE E

ACCOUNTS RECEIVABLE

Beginning with the purchase of the *Louisiana Horse* publication in 1990, the Association began recording accounts receivable pertaining to the operation of the publication. Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Credit is extended to those who are members of the Association.

NOTE F

LOUISIANA CHAMPIONS DAY

Louisiana Champions Day was enacted by the state legislature so as to include both thoroughbred and quarter horse races on the same racing program. Included in the purse payout for the year ended December 31, 1992, was \$65,646 for quarter horses and \$149,731 for thoroughbred horses, which were paid out of funds received by the Association from the State of Louisiana Department of Economic Development. For the year ended December 31, 1991, \$61,200 was paid for quarter horses and \$150,000 for thoroughbred horses.

NOTE G

POLITICAL ACTION COMMITTEE

The Association formed a committee, known as Breeder's Political Action Committee, for the purpose of representing the Association in legislative matters between the Association and the state of Louisiana. Members of the Association were asked to contribute \$20 to the Association for the support of this committee.