

**LOUISIANA THOROUGHBRED BREEDERS
ASSOCIATION**

Audit of Financial Statements

December 31, 2018



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Independent Auditor's Report

To the Board of Directors of
Louisiana Thoroughbred Breeders Association

Report on the Financial Statements

We have audited the accompanying financial statements of Louisiana Thoroughbred Breeders Association (the Association), a non-profit organization, which comprise the statements of assets, liabilities, and net assets - modified cash basis as of December 31, 2018, and the related statements of revenues and expenses - modified cash basis, and changes in net assets - modified cash basis, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified-cash basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As discussed in Note 3, the Association has accrued certain revenues related to the publication of *Louisiana Horse Magazine*. If the revenues were not accrued, accounts receivable of \$29,008 would not be recorded and net assets would decrease by \$29,008 as of December 31, 2018. Excess revenues over expenses would decrease by \$29,008 for the year ended December 31, 2018.

Qualified Opinion

In our opinion, except for the effects of accruing certain revenues, 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 net assets of the Association as of December 31, 2018, and its related revenues and expenses and changes in net assets for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18 - 23 is presented for the purpose 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, except for the effects of the accrual of certain revenues, as discussed above, the information is fairly stated in all material respects in relation to the financial statements taken as a whole on the basis of accounting described in Note 1. The December 31, 2017 amounts were included for comparative purposes only.

Report on Summarized Comparative Information

We have previously audited the Association's 2017 financial statements, and we expressed a modified audit opinion, due to the accrual of certain revenues consistent with the current year modification, on those audited financial statements in our report dated, June 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
June 28, 2019

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
as of December 31, 2018

With Summarized Financial Information as of December 31, 2017

	Operating	Louisiana	SALAM	Other	Slot Machine	Totals	
		Champions Day	Races	Races		(Memorandum Only)	
						2018	2017
Assets							
Current Assets							
Cash and Cash Equivalents	\$ 673,420	\$ 13,097	\$ -	\$ -	\$ -	\$ 686,517	\$ 686,087
Certificates of Deposit	400,000	-	-	-	-	400,000	800,000
Restricted Cash	40,800	-	1,687	118,283	2,861,699	3,022,469	2,001,992
Restricted Certificates of Deposit	-	-	-	-	400,000	400,000	400,000
Accounts Receivable	29,008	-	-	-	-	29,008	23,243
Grants Receivable	-	-	-	-	-	-	60,000
Total Current Assets	1,143,228	13,097	1,687	118,283	3,261,699	4,537,994	3,971,322
Property and Equipment - Net							
Furniture and Equipment	133,915	-	-	-	-	133,915	132,573
Buildings	120,756	-	-	-	-	120,756	120,756
Software	2,421	-	-	-	-	2,421	2,421
Total Property and Equipment	257,092	-	-	-	-	257,092	255,750
Less: Accumulated Depreciation	(182,081)	-	-	-	-	(182,081)	(174,327)
Total Property and Equipment - Net	75,011	-	-	-	-	75,011	81,423
Other Assets							
Certificates of Deposit	600,000	-	-	-	-	600,000	-
Restricted Cash	26,100	-	-	-	-	26,100	25,150
Restricted Certificates of Deposit	-	-	-	-	450,000	450,000	200,000
Investment - Breeders Sales Company	20,000	-	-	-	-	20,000	20,000
Deposits	600	-	-	-	-	600	600
Total Other Assets	646,700	-	-	-	450,000	1,096,700	245,750
Total Assets	\$ 1,864,939	\$ 13,097	\$ 1,687	\$ 118,283	\$ 3,711,699	\$ 5,709,705	\$ 4,298,495

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis (Continued)
as of December 31, 2018

With Summarized Financial Information as of December 31, 2017

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2018	2017
Liabilities and Net Assets							
Current Liabilities							
Deposits - Futurity Races	\$ 40,800	\$ -	\$ -	\$ -	\$ -	\$ 40,800	\$ 37,300
Total Current Liabilities	40,800	-	-	-	-	40,800	37,300
Long-Term Liabilities							
Deposits - Futurity Races	26,100	-	-	-	-	26,100	25,150
Total Long-Term Liabilities	26,100	-	-	-	-	26,100	25,150
Total Liabilities	66,900	-	-	-	-	66,900	62,450
Net Assets							
Restricted - Breeders Awards	-	-	1,687	118,283	3,711,699	3,831,669	2,564,692
Undesignated	1,798,039	13,097	-	-	-	1,811,136	1,671,353
Total Net Assets	1,798,039	13,097	1,687	118,283	3,711,699	5,642,805	4,236,045
Total Liabilities and Net Assets	\$ 1,864,939	\$ 13,097	\$ 1,687	\$ 118,283	\$ 3,711,699	\$ 5,709,705	\$ 4,298,495

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Statement of Revenues and Expenses - Modified Cash Basis
For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2018	2017
Revenues							
Slot Machine Proceeds - 2%	\$ -	\$ -	\$ -	\$ -	\$ 7,599,075	\$ 7,599,075	\$ 6,487,962
10% from Tracks	-	-	-	828,600	-	828,600	954,320
LSRC Co-Op	-	-	-	-	700,000	700,000	700,000
Awards - 9.1%	-	-	-	488,733	-	488,733	523,173
Commissions - 2%	588,413	-	-	-	-	588,413	522,646
Awards - Triple Crown Races	-	285,220	-	-	-	285,220	236,352
Fees - 14%	154,025	-	-	-	-	154,025	167,249
Accrediting Fees	89,175	-	-	-	-	89,175	111,050
Publications - Louisiana Horse	100,054	-	-	-	-	100,054	92,947
State Grant	60,000	-	-	-	-	60,000	60,000
Members' Dues	59,690	-	-	-	-	59,690	56,720
SALAM Awards - 8% and 15.1%	-	-	43,081	-	-	43,081	43,126
Nominations	-	34,900	-	-	-	34,900	41,150
Mare and Stallion Registration	36,150	-	-	-	-	36,150	29,045
Stallion Fees	-	16,500	-	-	-	16,500	17,420
Interest Income	17,129	454	-	657	37,549	55,789	15,575
Management Fee Income	12,017	-	-	-	-	12,017	11,364
Slot/OTB Interest Transfer	28,259	-	-	-	-	28,259	7,014
LQHBA Contribution	-	-	-	-	-	-	3,500
Website Advertising	210	-	-	-	-	210	2,850
Finance Charges	871	-	-	-	-	871	1,149
Miscellaneous	22,224	-	-	-	-	22,224	1,111
Newsletter Sponsorship	400	-	-	-	-	400	-
Total Revenues	1,168,617	337,074	43,081	1,317,990	8,336,624	11,203,386	10,085,723

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Statement of Revenues and Expenses - Modified Cash Basis (Continued)
For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2018	2017
Expenses							
Breeders' Awards	-	-	953,316	2,347,628	3,190,708	6,491,652	6,563,459
Stallion Awards	-	-	-	-	900,000	900,000	901,187
Purse Supplements	-	332,414	-	583,032	-	915,446	705,741
Salaries	422,761	-	-	-	-	422,761	434,667
Breeder's Awards - Out of State	-	-	-	-	400,164	400,164	400,278
Out of State Stakes Awards	-	-	-	-	26,672	26,672	113,405
Insurance	82,725	-	-	-	-	82,725	70,573
Research	75,000	-	-	-	-	75,000	73,750
Publication Expense	30,604	-	-	-	-	30,604	51,708
Advertising and Promotion	50,352	-	-	-	-	50,352	46,043
Professional Accounting Fees	41,120	-	-	-	-	41,120	36,971
Payroll Taxes	35,001	-	-	-	-	35,001	33,960
Meetings and Banquets	29,482	3,013	-	-	-	32,495	33,254
Field Inspector	30,000	-	-	-	-	30,000	30,000
Computer Fees	30,289	-	-	-	-	30,289	29,347
Legal	506	-	-	-	-	506	26,235
Postage and Shipping	16,664	-	-	-	-	16,664	17,830
Pension Expense	-	-	-	-	-	-	16,328
Office Expense	15,067	-	-	-	-	15,067	15,594
Car Allowance	15,000	-	-	-	-	15,000	15,000
Equipment Rental	10,895	-	-	-	-	10,895	12,398
Travel	12,345	-	-	-	-	12,345	11,794
Contributions	8,300	-	-	-	-	8,300	11,050
Depreciation	7,754	-	-	-	-	7,754	10,117
Trophies	9,259	-	-	-	-	9,259	9,984
Pedigree Research	10,314	-	-	-	-	10,314	9,598
Telephone Expense	9,409	-	-	-	-	9,409	8,623
Website/Internet	16,176	-	-	-	-	16,176	8,416
Scholarships	12,000	-	-	-	-	12,000	8,000
Taxes and Licenses	7,452	-	-	-	-	7,452	7,935
Interest Transfers	-	-	-	-	28,501	28,501	7,139
Election Expense	5,930	-	-	-	-	5,930	5,915
Writers and Photographer Fees	13,935	-	-	-	-	13,935	5,527
Printing	7,091	-	-	-	-	7,091	5,056
Dues and Subscriptions	2,633	-	-	-	-	2,633	2,874
Repairs and Maintenance	19,691	-	-	-	-	19,691	2,183
General Accounting	1,550	-	-	-	-	1,550	1,597
Bank Charges	1,066	110	-	404	293	1,873	1,076
Total Expenses	1,030,371	335,537	953,316	2,931,064	4,546,338	9,796,626	9,744,612
Excess (Deficit) Revenues Over Expenses	\$ 138,246	\$ 1,537	\$ (910,235)	\$ (1,613,074)	\$ 3,790,286	\$ 1,406,760	\$ 341,111

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Statement of Changes in Net Assets - Modified Cash Basis
For the Year Ended December 31, 2018

With Summarized Financial Information for the Year Ended December 31, 2017

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2018	2017
Net Assets - Beginning of Year	\$ 1,662,805	\$ 8,548	\$ 62,666	\$ 215,027	\$ 2,286,999	\$ 4,236,045	\$ 3,894,934
Excess (Deficit) Revenues Over Expenses	138,246	1,537	(910,235)	(1,613,074)	3,790,286	1,406,760	341,111
Transfer (To) From Other Funds	(3,012)	3,012	849,256	1,516,330	(2,365,586)	-	-
Net Assets - End of Year	\$ 1,798,039	\$ 13,097	\$ 1,687	\$ 118,283	\$ 3,711,699	\$ 5,642,805	\$ 4,236,045

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Introduction

The Louisiana Thoroughbred Breeders Association (the Association) is a Louisiana non-profit organization, which seeks to promote and further the thoroughbred breeding industry within the State of Louisiana. The Association is engaged in programs for the encouragement and improvement of the raising and breeding of Louisiana-owned thoroughbred horses including, but not limited to, the payment of breeders' awards to breeders of accredited Louisiana-bred horses and supplementing purses for races written for accredited Louisiana-bred horses. The Association also publishes the *Louisiana Horse Magazine*, the official publication of the Association, on a quarterly basis, as well as the annual *Stallion Register*. In addition, the Association is recognized as the sole official registrar of accredited thoroughbred foals in Louisiana, as provided by Louisiana Revised Statute (R.S.) 4:178.

The Association's principal office is located at the Fair Grounds Racetrack in New Orleans. The Association may also maintain branch offices; currently there is a branch office at Louisiana Downs in Shreveport, with branch office representatives at Delta Downs in Vinton and Evangeline Downs in Opelousas. The Association has approximately 1,000 members and is under the management and supervision of its Board of Directors. The Board of Directors is composed of 13 members, elected by the Association's membership. The Secretary-Treasurer is a full-time employee of the Association and serves as the executive director of the Association, subject to the direction and instruction of the Board of Directors, and manages the daily operations of the Association.

Note 1. Summary of Significant Accounting Policies

Basis of Accounting

The Association's policy is to prepare its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. That basis differs from accounting principles generally accepted in the United States of America primarily because certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when incurred.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Presentation

Management of the Association believes that it would be more beneficial to the users of the Association's financial statements to report on a modified cash basis of accounting, which is a basis of accounting not in accordance with accounting principles generally accepted in the United States of America.

To observe the limitations and restrictions placed on the use of available resources, the accounts of the Association are presented separately under fund captions that indicate the source of revenues and their availability for expenditure. These sources and uses are more fully described in Note 2.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Inter-fund transfers are used by the Association to support the activities of other funds. Operating funds are unrestricted and are used to support the activities of any other program that needs cash flow. Slot Machine funds are restricted and are required to be used to support the payment of breeder's awards to the breeders of Louisiana bred accredited horses running in accredited Louisiana bred, special accredited Louisiana-bred maiden (SALAM), and other races, as described in Note 2. Accordingly, the Association records inter-fund transactions to and from the individual funds at December 31, 2018.

Total Columns - Overview

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting - a comprehensive basis of accounting other than generally accepted accounting principles.

Cash and Cash Equivalents

Cash includes certain investments in highly liquid debt instruments with a remaining maturity of three months or less when purchased, excluding assets whose use is limited or restricted.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format.

Note 2. Sources and Uses of Funds

As mentioned in Note 1, to observe the limitations and restrictions placed on the use of available resources, the accounts of the Association are presented in accordance with the specific activity or objective of the fund sources. A brief description of each fund source follows:

Operating Funds

The Operating Funds are used for operating purposes on which there are no restrictions, except the budgetary control provisions provided by the budget adopted by the Board of Directors. The revenues of the Operating Funds include:

14% License Fee - To assist the Association in its promotion of the industry, R.S. 4:218 provides that the Association receives 14% of the 1.5% license fee collected by the Louisiana State Racing Commission from off-track wagering facilities. The Association uses these receipts to promote the thoroughbred breeding industry and to pay breeders' awards on thoroughbred races.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 2. Sources and Uses of Funds (Continued)

Operating Funds (Continued)

Commissions 2% - As provided by R.S. 4:165(C), each licensee conducting race meetings shall withhold 2% of the total supplemental purse to be paid to the Association. The amounts withheld from the supplemental purses shall be paid to the Association for operating and administrative expenses.

Other Operating Funds - The Association records interest earned on investments, membership dues, accrediting fees, and miscellaneous revenues when received.

Louisiana Horse Funds - The Louisiana Horse Funds are generated from the activities of the *Louisiana Horse Magazine*, the official publication of the Association, as well as the annual *Stallion Register*.

Louisiana Champions Day Funds

R.S. 4:202 authorizes the Association to hold a special day of racing devoted solely to Louisiana-bred horses, for the purpose of focusing national attention on and enhancing the horse breeding industry in the state. As provided by the legislature, seven thoroughbred and three quarter horse races are included on the same racing program. For the year ended December 31, 2018, the racing program on Louisiana Champions Day included one additional thoroughbred race which was underwritten by the host racing association.

Louisiana Champions Day purses shall be determined by the Association after discussion with the Louisiana Quarter Horse Breeders Association. Louisiana Champions Day races are funded through purses offered by participating racing associations, the appropriate breeders association, corporate contributions, funds from the Triple Crown races, and up to \$200,000 from the 9.1% funds from off-track wagering [R.S. 4:217(B)(2)(a)].

Awards - Triple Crown Races revenue represents all fees from pari-mutuel wagering on races held on the same day as the running of the Kentucky Derby, the Preakness, and the Belmont Stakes races. These funds are paid to the Association as provided by R.S. 4:203 and are required to be placed in an interest-bearing account known as the "Louisiana Champions Day Account". During the year ended December 31, 2018, the Association received \$285,220 of Triple Crown Race Funds. These receipts were used, in full, to supplement Louisiana Champions Day purses.

SALAM Races Funds

As provided by R.S. 4:184, each racing association shall offer one SALAM thoroughbred race, each thoroughbred racing day of each race meeting, if sufficient horses are available. The Executive Committee of the Association shall specify the type, age, distance, and purse of each SALAM race

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 2. Sources and Uses of Funds (Continued)

SALAM Races Funds (Continued)

Of the commissions earned by the racing association hosting each SALAM race, R.S. 4:184(B)(1) provides that the Association receives 8%. In addition, the Association receives 15.1% of the commission on wagers made at off-track wagering facilities on each SALAM race.

The Association is obligated to use the above funds for payment of breeders' awards in accordance with a distribution formula established by the executive committee of the Association. Accordingly, the Association pays an award equal to 18% of the earned purse to the breeders of an accredited Louisiana-bred horse finishing first, second, or third in the SALAM races.

As mentioned in Note 1, SALAM breeders awards are funded primarily through Slot Machine funds. For the year ended December 31, 2018, \$849,256 was transferred out of Slot Machine Funds and into SALAM funds to support the payment of breeders awards.

Other Races Funds

Other races include accredited Louisiana Bred and OTB - Open Races. An Accredited Louisiana-Bred Race is one that is written exclusively for accredited Louisiana-bred horses. An OTB - Open Race is any race other than one written exclusively for accredited Louisiana-bred horses. R.S. 4:217(B)(2)(a) provides that 9.1% of the commissions collected by the off-track betting facilities, throughout the state, that are designated for purse supplements (except for SALAM and Triple Crown races) are to be remitted to the Association. The Association is obligated to use these funds to supplement purses for allowance, handicap, and stakes races for accredited Louisiana-bred horses and to pay breeders' awards to breeders of accredited Louisiana-bred horses finishing first, second, and third in OTB - Open Races at any track in Louisiana.

As provided by R.S. 4:177, each racing association authorized to conduct race meets shall pay the equivalent of 10% of the winner's share of the purse of each OTB - Open Race won by an accredited Louisiana-bred horse. The Association uses these funds together with the 9.1% funds from above to pay breeders' awards to breeders of accredited Louisiana-bred horses finishing first, second, and third in OTB - Open Races at any track in Louisiana. The maximum award paid by the Association from the combined funds was 18% of the earned purse. The maximum award paid by the Association on Other Races is based on a purse of \$200,000. However, the racing association funds are not capped by the \$200,000 purse limitation and the Association may receive and transfer a higher amount from the racing association authorized to conduct race meets to the breeders of the accredited Louisiana-bred horse finishing first, second, or third in an open race.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 2. Sources and Uses of Funds (Continued)

Other Races Funds (Continued)

Over and above the purse supplements mentioned above, R.S. 4:217(B)(2)(e) provides that the Association can use up to \$200,000 of the 9.1% funds, per year, to supplement purses on Louisiana Champions Day.

Finally, the Association is transferring the interest earned on these funds to the general operation of the Association. This transfer assists in covering administrative costs incurred in maintaining the breeders' awards program.

As mentioned in Note 1, breeders awards to Louisiana bred accredited horses of other races are primarily funded through Slot Machine funds. For the year ended December 31, 2018, \$1,516,330 was transferred out of Slot Machine Funds into Other Races funds to support the payment of breeders awards.

Slot Machine Funds

As prescribed by Louisiana R.S. 27:362(B)(4)(b), each licensed eligible facility shall pay a fixed percentage of 2% of the annual net slot machine proceeds received from slot machine gaming operations at the licensed eligible facility to the Association. The Executive Committee of the Association shall distribute such amount, according to a schedule or formula and within a time period, which shall be established by the Committee, for special breeder awards to the breeders of accredited Louisiana-bred horses.

The Association pays out of state awards annually for any accredited Louisiana-bred horse finishing first, second, or third at an accredited racetrack outside of Louisiana. The individual award amounts are calculated based on the percentage of winnings for that horse compared to the total winnings of all accredited Louisiana-bred horses racing out of state. The breeder receives their pro rata share annually of an amount determined by the Board of Directors of the Association. For 2018, the total paid was \$400,164.

Out of state stake race awards are paid quarterly at an amount predetermined by the Board of Directors of the Association. The Board of Directors has set the maximum award to be paid at 18% of the earned purse, with the purse not to exceed \$200,000. The amount paid by the Association during the year ended December 31, 2018 was \$26,672.

Slot machine funds are also used to support the payment of breeders' awards for Louisiana accredited horses finishing first, second, or third in Louisiana-bred races. For the year ended December 31, 2018, approximately \$3,190,000 of Slot machine funds were used to support payment of the breeders' awards for Louisiana accredited horses finishing first, second, or third in Louisiana-bred races. The maximum award paid by the Association from the combined funds was 18% of the earned purse.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 2. Sources and Uses of Funds (Continued)

Slot Machine Funds (Continued)

Stallion Awards are paid annually, usually in August of each year. The individual stallion award paid to the stallion nominator is based on a stallion's progeny finishing first, second or third in an allowance, handicap or stakes race in Louisiana, or in a handicap or stakes race outside of Louisiana. The stallion award is the stallion's pro rata share of an amount determined by the executive committee of the Association. For the year ended December 31, 2018 the total amount paid by the Association for Stallion Awards was \$900,000.

As mentioned in Note 1, the Association is allowed to use Slot machine funds to support the payment of breeders awards to the breeders of accredited Louisiana bred horses running in SALAM and other races. The Association funded these awards through inter-fund transfers totaling \$2,365,586 for the year ended December 31, 2018.

Finally, the Association is transferring the interest earned on these funds to the general operation of the Association. This transfer assists in covering administrative costs incurred in maintaining the breeders' awards program.

Video Draw Poker Device Purse Supplement Funds

As enacted by Louisiana Revised Statute 33:4862.23(B), monies in the Video Draw Poker Device Purse Supplement Fund shall be annually appropriated to the Department of Economic Development, Louisiana State Racing Commission, and shall be allocated by the commission.

Two-thirds of the funds appropriated by the commission shall be allocated and provided to the licensed racing associations in the state that conduct live horse racing. These funds are appropriated based on how the number of thoroughbred race days each association conducted for the preceding year bears in proportion to the total number of thoroughbred race days conducted statewide for the preceding year. Such funds shall be used solely to supplement purses in accordance with a schedule or formula established by the purse committee of the Association on Louisiana-bred thoroughbred races scheduled for purses.

Due to the fact that the Association is not in receipt of these funds, but rather the licensed racing associations that conduct live horse racing, and because the Association does not disburse these funds, but rather provides direction to the licensed racing associations on which purses for Louisiana-bred thoroughbred races will be supplemented, the financial activities of the Association do not reflect the receipts and disbursements of the licensed racing associations that conduct live horse racing.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 3. Trade Receivables

Although using the modified cash basis of accounting, as mentioned in Note 1, the Association records trade receivables related to advertisements in its publication of the *Louisiana Horse Magazine* as well as its annual *Stallion Register*. Trade receivables are carried at original invoice amount. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Credit is extended to those who are members of the Association.

Note 4. Property and Equipment

Property and equipment are recorded at cost. The Association capitalizes all equipment and improvements with a cost greater than \$500. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets which extends periods ranging from 3 to 40 years. 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 within the results of operations. Depreciation expense totaled \$7,754 for the year ended December 31, 2018.

Note 5. Advertising Expenses

The Association expenses costs incurred in advertising and promoting the mission and services of the Association as they are paid. Advertising and promotional type expenses totaled \$50,352 for the year ended December 31, 2018.

Note 6. Restricted Cash and Restricted Certificates of Deposit

Funds received as nominations for thoroughbreds to run in races scheduled in future years are accumulated until the races are run, with the funds distributed to the horseman's bookkeeper for distribution to the winning thoroughbred owner(s). Any interest earned on these funds is considered to be operating revenue of the Association. As of December 31, 2018, the Association's deposits held for futurity races are classified accordingly: \$40,800 for the 2019 futurity, in current liabilities, and \$26,100 for the 2020 futurity, in non-current liabilities.

Funds on deposit for SALAM Races, Other Races, and Slot Machine proceeds are restricted according to their limited use as prescribed by Louisiana Revised Statutes and as described fully within Note 2.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 7. Functional Classification of Expenses

The Association reports expenses in its statement of revenues and expenses - modified cash basis in the natural expense categories. Financial Accounting Standards requires disclosure of expenses between the functional classifications of program and support. Program services, totaling \$8,767,661 include payments of breeders' awards, stallion awards, purse supplements, and the Louisiana Champions Day, and account for approximately 89% of the Association's expenditures. Approximately 11% of expenses are for supporting activities, totaling \$1,028,965 and include membership development and management and general expenditures.

Note 8. Defined Contribution Pension Plan

The Association sponsors a 401k defined contribution plan (the Plan); however, the Association has elected to not make an employer contribution into the Plan.

Note 9. Related Party Transactions

Breeders' Sales Company of Louisiana, Inc. - Unaudited

Breeders' Sales Company of Louisiana, Inc. (the Corporation) is a C-Corporation which is wholly owned by the Association. The purpose of the Corporation is to promote the sale of thoroughbred horses, in order to further fulfill the objective and purpose of the Association as listed in the Articles of Incorporation of said Association. It was formed by the Association's Board of Directors in 1988, in alignment with the mission of the Association.

The Association has not consolidated the Corporation based upon its assessment of significance to the reporting entity. The Association's investment is stated at cost.

The Corporation was recognized as inactive effective September 12, 2018; with liquidation occurring in 2019. Subsequent to December 31, 2018, \$60,400 of cash was transferred to the Association.

Other Related Party Transactions

All Board Members are required to be members of the Association and thus are active in breeding accredited Louisiana-bred horses. As such, the Board Members can earn breeder's awards, as discussed in Note 2, and advertise in the *Louisiana Horse Magazine*. During the year ended December 31, 2018, the members of the Board of Directors had related party transactions with the Association as follows:

A total of approximately \$1,066,094 was paid to board members during 2018 in the form of breeders' and stallion awards.

Included within accounts receivable of *Louisiana Horse Magazine* is \$18,657 that is owed by various directors as of December 31, 2018.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to the Financial Statements

Note 10. Concentration of Credit Risk

The Association maintains its cash deposits in accounts at various financial institutions which, at times during the year, may exceed the federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At December 31, 2018, these excess balances approximated \$120,000.

Note 11. Commitments

The Association has executed an independent contractor's agreement for a Field Inspector. The contract is in effect through February 28, 2022 with consideration in the amount of \$30,000 annually.

Note 12. Income Taxes

The Association is a not-for-profit organization exempt from income tax under Section 501(c)(6) of the United States Internal Revenue Code.

The Association believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Note 13. Subsequent Events

The Association completed its subsequent events review through June 28, 2019, the date on which the financial statements were available to be issued. There were no events that required adjustments to, or disclosures in, the financial statements. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule I
Statements of Revenues and Expenses
Operating

	For the Years Ended December 31,	
	2018	2017
Revenues		
Commissions - 2%	\$ 588,413	\$ 522,646
Fees - 14%	154,025	167,249
Accrediting Fees	89,175	111,050
Publications - Louisiana Horse	100,054	92,947
State Grant	60,000	60,000
Members' Dues	59,690	56,720
Mare and Stallion Registration	36,150	29,045
Management Fee Income	12,017	11,364
Interest and Dividend Income	17,129	7,680
Slot/OTB Interest Transfer	28,259	7,014
Website Advertising	210	2,850
Finance Charges	871	1,149
Miscellaneous	22,224	1,111
Newsletter Sponsorship	400	-
Total Revenues	1,168,617	1,070,825
Expenses		
Salaries	422,761	434,667
Insurance	82,725	70,573
Research, Public Relations, and Lobbying	75,000	73,750
Publication Expense	30,604	51,708
Advertising and Promotion	50,352	44,538
Professional Accounting Fees	41,120	36,971
Payroll Taxes	35,001	33,960
Meetings and Banquets	29,482	33,254
Field Inspector	30,000	30,000
Computer Expense	30,289	29,347
Legal	506	26,235
Postage and Shipping	16,664	17,830
Pension Expense	-	16,328
Office Expense	15,067	15,594
Car Allowance	15,000	15,000
Equipment Rental	10,895	12,398
Travel	12,345	11,794
Contributions	8,300	11,050
Depreciation	7,754	10,117
Pedigree Research	10,314	9,598
Telephone Expense	9,409	8,623
Website/Internet	16,176	8,416
Scholarships	12,000	8,000
Taxes and Licenses	7,452	7,935
Trophies	9,259	7,089
Election Expense	5,930	5,915
Writer and Photographer Fees	13,935	5,527
Printing	7,091	5,056
Dues and Subscriptions	2,633	2,874
Repairs and Maintenance	19,691	2,183
General Accounting	1,550	1,597
Bank Charges	1,066	236
Total Expenses	1,030,371	1,048,163
Excess Revenues Over Expenses	\$ 138,246	\$ 22,662

See Independent auditor's report.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule II
Statements of Revenues and Expenses
Louisiana Champions Day

	For the Years Ended	
	December 31,	
	2018	2017
Revenues		
Awards - Triple Crown Races	\$ 285,220	\$ 236,352
Nominations	34,900	41,150
Stallion Fees	16,500	17,420
LQHBA Contribution	-	3,500
Interest Income	454	166
	337,074	298,588
Total Revenues		
Expenses		
Purses Paid Out	332,414	290,679
Trophies	-	2,895
Advertising and Promotion	-	1,505
Bank Charges	110	110
Meetings and Banquets	3,013	-
	335,537	295,189
Total Expenses		
Excess Revenues Over Expenses	\$ 1,537	\$ 3,399

See Independent auditor's report.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule III
Statements of Revenues and Expenses
SALAM

	For the Years Ended December 31,	
	2018	2017
Revenues		
SALAM Awards - 8% and 15.1%	\$ 43,081	\$ 43,126
Total Revenues	43,081	43,126
Expenses		
Breeders' Awards	953,316	895,845
Total Expenses	953,316	895,845
Deficit Revenues Over Expenses	\$ (910,235)	\$ (852,719)

See Independent auditor's report.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule IV
Statements of Revenues and Expenses
Other Races

	For the Years Ended December 31,	
	2018	2017
Revenues		
10% from Tracks	\$ 828,600	\$ 954,320
Awards - 9.1%	488,733	523,173
Interest Income	657	435
	1,317,990	1,477,928
Expenses		
Breeders' Awards	2,347,628	2,667,500
Purse Supplements	583,032	415,062
Bank Charges	404	445
	2,931,064	3,083,007
Deficit Revenues Over Expenses	\$ (1,613,074)	\$ (1,605,079)

See Independent auditor's report.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule V
Statements of Revenues and Expenses
Slot Machine

	For the Years Ended December 31,	
	2018	2017
Revenues		
Slot Machine Proceeds - Delta Downs	\$ 4,019,488	\$ 3,245,810
Slot Machine Proceeds - Evangeline Downs	1,773,986	1,531,190
Slot Machine Proceeds - Louisiana Downs	942,867	879,140
Slot Machine Proceeds - Fair Grounds	862,734	831,822
Louisiana State Racing Commission Co Op	700,000	700,000
Interest Income	37,549	7,294
	8,336,624	7,195,256
Expenses		
Breeders' Awards - LA Bred	3,190,708	3,000,114
Stallion Awards	900,000	901,187
Breeders' Awards - Out of State	400,164	400,278
Out of State Stakes Awards	26,672	113,405
Transfer of Interest	28,501	7,139
Bank Charges	293	285
	4,546,338	4,422,408
Excess Revenues Over Expenses	\$ 3,790,286	\$ 2,772,848

See Independent auditor's report.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule VI
Comparison of Budget to Actual
Operating

	For the Year Ended December 31, 2018		Favorable (Unfavorable)
	Budget	Actual	Variance
Revenues			
Commissions - 2%	\$ 550,000	\$ 588,413	\$ 38,413
Fees - 14%	175,000	154,025	(20,975)
Publications- Louisiana Horse	100,000	100,054	54
Accrediting Fees	100,000	89,175	(10,825)
Members' Dues	60,000	59,690	(310)
State Grant	60,000	60,000	-
Mare and Stallion Registration	35,000	36,150	1,150
Management Fee Income	12,000	12,017	17
Interest and Slot/OTB Interest Transfer	40,000	45,388	5,388
Miscellaneous	23,000	22,224	(776)
Finance Charges	1,000	871	(129)
PAC Revenue	1,000	-	(1,000)
Website Advertising	-	610	610
Total Revenues	<u>1,157,000</u>	<u>1,168,617</u>	<u>11,617</u>
Expenses			
Salaries	455,000	422,761	32,239
Insurance	90,000	82,725	7,275
Research, Public Relations, and Lobbying	75,000	75,000	-
Advertising and Promotion	48,000	50,352	(2,352)
Computer Expense (including Website and Internet)	35,000	46,465	(11,465)
Publication Expense	45,000	30,604	14,396
Payroll Taxes	34,944	35,001	(57)
Professional and General Accounting Fees	45,000	42,670	2,330
Field Inspector	30,000	30,000	-
Meetings and Banquets	25,000	29,482	(4,482)
Postage and Shipping	17,500	16,664	836
Travel	15,000	12,345	2,655
Office Expense	15,500	15,067	433
Car Allowance	15,000	15,000	-
Equipment Rental	12,000	10,895	1,105
Telephone Expense	10,000	9,409	591
Pedigree Research	11,000	10,314	686
Scholarships	14,000	12,000	2,000
Contributions	10,000	8,300	1,700
Taxes and Licenses	8,000	7,452	548
Trophies	8,500	9,259	(759)
Printing	8,000	7,091	909
Legal	5,000	506	4,494
Election Expense	6,000	5,930	70
Writer and Photographer Fees	5,000	13,935	(8,935)
Depreciation	5,500	7,754	(2,254)
Dues and Subscriptions	2,500	2,633	(133)
Repairs and Maintenance	25,000	19,691	5,309
Bank Charges	1,000	1,066	(66)
Bad Debt	500	-	500
Total Expenses	<u>1,077,944</u>	<u>1,030,371</u>	<u>47,573</u>
Excess Revenues Over Expenses	<u>\$ 79,056</u>	<u>\$ 138,246</u>	<u>\$ 59,190</u>

See Independent auditor's report.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Directors of
Louisiana Thoroughbred Breeders Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Louisiana Thoroughbred Breeders Association (The Association), a non-profit organization, which collectively comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2018, and the related statements of revenues and expenses - modified cash basis and changes in net assets - modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
June 28, 2019

Independent Auditor's Report on the Supplementary Information

To the Board of Directors of
Louisiana Thoroughbred Breeders Association

We have audited the modified cash basis financial statements of the Louisiana Thoroughbred Breeders Association (the Association) as of and for the year ended December 31, 2018, and have issued our report thereon, dated June 28, 2019, which contained a modified opinion related to the accrual of certain revenues on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to June 28, 2019.

The accompanying schedule of compensation, benefits, and other benefits to the Association's agency head 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.



A Professional Accounting Corporation

Metairie, LA
June 28, 2019

**Louisiana Thoroughbred Breeders Association
Supplementary Information**

**Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2018**

Agency Head

Roger Heitzmann, Executive Director

Purpose	Amount
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

* No compensation, reimbursements nor benefits were paid to the agency head from public funds.

AGREED-UPON PROCEDURES REPORT
Louisiana Thoroughbred Breeders Association

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2018 - December 31, 2018

To the Board of Directors
Louisiana Thoroughbred Breeders Association
New Orleans, Louisiana
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Louisiana Thoroughbred Breeders Association (the Association) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Association's management is responsible for those C/C areas identified in the SAUPs.

The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Payroll and Personnel

1. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: LaPorte obtained the listing of employees employed during the fiscal period and obtained management's representation that the listing is complete. LaPorte also randomly selected 5 employees and agreed paid salaries to authorized salaries in the personnel files. There were no exceptions noted.

2. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #1 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: LaPorte randomly selected one pay period, obtained attendance records and leave documentation and performed procedures 2.a. through 2.c. for the 5 employees selected under #1. We noted that leave is tracked for all employees of the Association and approved by the Executive Director. As all employees are salaried, attendance records were not maintained for employees.

- 3. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Results: LaPorte noted that there were no terminations during the fiscal period and obtained management's representation that this information is complete and accurate.

- 4. Obtain management representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: LaPorte obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the Statewide Agreed-Upon Procedures, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. This report is intended solely for the use of management and the Board of Directors of Louisiana Thoroughbred Breeders Association and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



A Professional Accounting Corporation
Metairie, LA

June 28, 2019

Louisiana Thoroughbred Breeders Association

P.O. Box 24650 New Orleans, Louisiana 70184 | www.louisianabred.com | 1.800.772.1195 | 504.947.4676 | fax: 504.943.2149

June 28, 2019

LaPorte, APAC
111 Veterans Boulevard, Suite 600
Metairie, LA 70005

Dear Sirs:

The following are our responses to the exceptions noted in your report on the Louisiana Legislative Auditor's Statewide Agreed Upon Procedures performed for fiscal year ended December 31, 2018.

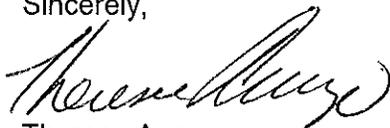
Payroll and Personnel:

Observe that all selected employees/officials documented their daily attendance and leave.

Results: LaPorte randomly selected one pay period, obtained attendance records and leave documentation and performed procedures 2.a. through 2.c. for the 5 employees selected under #1. We noted that leave is tracked for all employees of the Association and approved by the Executive Director. As all employees are salaried, attendance records were not maintained for employees.

Response: Management feels that with the consistent small number of employees that are all salaried, tracking daily attendance is not an efficient use of time nor resources. Management tracks and approves paid time off (PTO) to ensure that PTO taken does not exceed the allowable limit for the fiscal period. Paid time off is renewed at the start of each calendar year and therefore, it is lost if not used during the fiscal period. Since LTBA is on a cash basis, paid time off earned is not accrued based on hours worked.

Sincerely,



Therese Arroyo
Comptroller

Louisiana Thoroughbred Breeder's Association

OFFICERS

President - Warren J. Harang III | 1st Vice President - Jake Delhomme | 2nd Vice President - Brett Brinkman

BOARD OF
DIRECTORS

Jay Adcock | Charlotte Clavier | Thomas B. Early | Nathan C. Granger | Daniel Guidry | Michelle LaVoice
Neal McFadden | Jim Montgomery | Val Murrell | Michele Rodriguez | Secretary/Treasurer - Roger Heitzmann, III

TRACKS

Delta Downs, Inc. | Evangeline Downs, Inc. | Fair Grounds Corporation | Louisiana Downs, Inc.