

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

(Audited Financial Statements and Other Financial Information)

ALEXANDRIA, LOUISIANA

DECEMBER 31, 2020 AND 2019

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

ALEXANDRIA, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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June 29, 2021

To the Board of Directors
Louisiana Quarter Horse Breeders Association
Alexandria, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities and net assets-modified cash basis of Louisiana Quarter Horse Breeders Association (the Association), a nonprofit organization, as of December 31, 2020 and 2019, and the related statements of revenues and expenses-modified cash basis, functional expenses-modified cash basis and changes in net assets-modified cash basis, 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 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, where 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.

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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 assets, liabilities and net assets of Louisiana Quarter Horse Breeders Association as of December 31, 2020 and 2019, and its related revenues and expenses and changes in net assets for the years then ended on 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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Louisiana Quarters Horse's Breeders Association's basic financial statements. The information required in accordance with Louisiana Revised Statute 24:513(A)(3) on page 13 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021 on our consideration of Louisiana Quarter Horse Breeders 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS-MODIFIED CASH BASIS

DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<u>Current assets:</u>		
Cash	1,161,641	1,293,857
Investments	1,173,131	1,002,698
Restricted cash	1,633,010	1,666,100
Investments-restricted	<u>5,286,105</u>	<u>5,677,185</u>
Total current assets	9,253,887	9,639,840
<u>Property, premises, furniture, and equipment:</u>		
Land	107,000	107,000
Building	165,684	149,379
Furniture and equipment	<u>233,300</u>	<u>229,032</u>
	505,984	485,411
<u>Less-accumulated depreciation</u>	<u>(252,469)</u>	<u>(200,105)</u>
Total property, premises, furniture, and equipment	253,515	285,306
<u>Other assets:</u>		
Accounts receivable-trade	27,071	29,190
Other	-	18,700
Deposits	<u>500</u>	<u>500</u>
Total other assets	27,571	48,390
Total assets	<u>9,534,973</u>	<u>9,973,536</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Current liabilities:</u>		
Accounts payable-other	<u>40,437</u>	<u>102,264</u>
Total current assets	<u>40,437</u>	<u>102,264</u>
<u>Other liabilities-long-term:</u>		
Breeders futurity payable	662,233	709,839
LQHBA-youth scholarships	<u>60,800</u>	<u>-</u>
Total other liabilities-long-term	<u>723,033</u>	<u>709,839</u>
Total liabilities	763,470	812,103
<u>Net assets:</u>		
Without donor/grantor restriction	1,451,015	1,244,377
With donor/grantor restriction	<u>7,320,488</u>	<u>7,917,056</u>
Total net assets	<u>8,771,503</u>	<u>9,161,433</u>
Total liabilities and net assets	<u>9,534,973</u>	<u>9,973,536</u>

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

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

STATEMENTS OF REVENUES AND EXPENSES - MODIFIED CASH BASIS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		
	Without Restriction	With Donor Restriction	Total
<u>Revenue:</u>			
Slots support fees	-	2,688,336	2,688,336
Video poker tax support	-	940,327	940,327
State breeders fund support	-	696,934	696,934
Stallion award fees	26,163	-	26,163
Stallion scholarship fees	59,900	-	59,900
Off track betting	-	15,655	15,655
HBPA contribution	264,157	-	264,157
Futurity fees	100,518	-	100,518
Accreditation fees/foal reports	82,281	-	82,281
Membership fees	68,721	-	68,721
OSM report fees	124,430	-	124,430
Flyer mail income	700	-	700
Yearling and fall mixed sales commissions	618,261	-	618,261
Interest, dividends and unrealized gains	272,641	-	272,641
Other income	93,606	-	93,606
Total revenues	1,711,378	4,341,252	6,052,630
Net assets released from restriction	4,937,820	(4,937,820)	-
	6,649,198	(596,568)	6,052,630
<u>Expenses:</u>			
Program services	6,272,887	-	6,272,887
Management and general	169,673	-	169,673
Total expenses	6,442,560	-	6,442,560
<u>Change in net assets</u>	206,638	(596,568)	(389,930)
<u>Net assets, beginning of year</u>	1,244,377	7,917,056	9,161,433
<u>Net assets, end of year</u>	1,451,015	7,320,488	8,771,503

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

2019		
Without Restriction	With Donor Restriction	Total
-	3,794,734	3,794,734
-	1,119,651	1,119,651
-	618,333	618,333
20,700	-	20,700
-	-	-
-	23,280	23,280
359,142	-	359,142
101,757	-	101,757
77,998	-	77,998
70,799	-	70,799
133,254	-	133,254
-	-	-
888,931	-	888,931.00
363,454	-	363,454.00
23.182	-	23,182.00
<u>2,039,217</u>	<u>5,555,998</u>	<u>7,595,215.00</u>
<u>6,539,779</u>	<u>(6,539,779)</u>	<u>-</u>
8,578,996	(983,781)	7,595,215
7,990,220	-	7,990,220
171,236	-	171,236
<u>8,161,456</u>	<u>-</u>	<u>8,161,456</u>
417,540	(983,781)	(566,241)
<u>826,837</u>	<u>8,900,837</u>	<u>9,727,674</u>
<u>1,244,377</u>	<u>7,917,056</u>	<u>9,161,433</u>

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>		<u>2019</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Program Services</u>	<u>Management and General</u>
Breeders awards	2,930,799	-	5,041,902	-
Video poker tax awards	1,168,372	-	1,050,000	-
State breeders fund	838,649	-	447,877	-
Yearling and fall mixed sales	418,505	-	491,343	-
Salaries	300,859	64,470	326,577	69,981
Payroll taxes	22,081	4,732	26,454	5,669
Pension expense	8,439	1,808	5,364	1,150
Professional fees	131,428	28,163	137,062	29,370
Advertising	11,130	2,385	27,020	5,790
Trophies, awards, and promotional	79,759	-	118,505	-
Office supplies	16,206	3,473	17,222	3,690
Information technology	6,018	1,290	6,593	1,413
Postage	24,675	5,287	33,243	7,124
Travel, entertainment, convention, and meeting expenses	36,066	7,729	48,811	10,460
Telephone and utilities	9,991	2,141	10,718	2,297
Repairs and maintenance	22,284	4,775	6,412	1,374
Depreciation	43,123	9,241	28,721	6,155
Mare expense-out of state	45,000	-	41,506	-
Insurance	9,464	2,028	6,621	1,419
Other expenses	150,039	32,151	118,269	25,344
Total expenses	<u>6,272,887</u>	<u>169,673</u>	<u>7,990,220</u>	<u>171,236</u>

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

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies

a. Introduction

The Louisiana Quarter Horse Breeders Association (the Association) is a Louisiana non-profit organization, which seeks to promote and further the quarter horse 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 quarter 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. In addition, the Association is recognized as the sole official registrar of accredited quarter horse foals in Louisiana, as provided by Louisiana Revised Statute (R.S.) 4:179.

The Association's principal office is located in Alexandria, Louisiana. The Association 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 Executive Director is a full-time employee of the Association and serves subject to the direction and instruction of the Board of Directors, and manages the daily operations of the Association.

b. 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.

c. 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.

The Association is required to report information regarding its financial position and activities based on the existence or absence of donor or grantor imposed restrictions, as follows:

Net assets without donor designations – Net assets that are not subject to donor or grantor imposed restrictions. Some net assets without donor restrictions may be designated for specific purposes by action of the governing board.

Net assets with donor designations – Net assets subject to donor or grantor imposed restrictions that may or will be met by actions of the Association.

1. Summary of Significant Accounting Policies (Continued)

d. Income Taxes

The Association meets the requirements of Section 501(c) 5 of the Internal Revenue Code and, therefore, is exempt from federal and state income taxes. The Association has no portion of its income subject to unrelated business taxable income and no income tax provision was incurred in the fiscal years ended December 31, 2020 and 2019.

The Association follows the provisions of the Accounting for Uncertainty in Income Taxes standard of the Financial Accounting Standards Board's, Accounting Standards Codification, requiring them to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent (50%) likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the years ended December 31, 2020 and 2019, the Association's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters requiring recognition or any affecting its tax-exempt status.

The Association has filed all tax returns currently required by proper federal jurisdiction and the State of Louisiana. The Association's tax returns for 2017 and subsequent remain subject to examination.

e. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

f. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include all demand deposits and certificates of deposits, with original purchased maturities of ninety days or less. Money market accounts held by investment firms are classified as investments.

g. Securities

Securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. The Association classifies all its securities as held for sale and they primarily are mortgage-backed securities.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by issuers of the securities. Mortgage-backed securities are carried at unpaid principal balances, adjusted for unamortized premiums and unearned discounts. Premiums and discounts are amortized using the interest method over the remaining period to contractual maturity.

h. Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Certain categories of expenses are attributable to both program services and supporting activities, and are charged directly to either program services or supporting expenses based on the nature of expense.

1. Summary of Significant Accounting Policies (Continued)

i. Sources and Uses of Funds

As mentioned above in (b), 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:

Breeders Awards

To assist the Association in its promotion of the industry, R.S. 4:165 (B) (1) (2) (3) provides that the Louisiana State Racing Commission will pay \$800,000 annually to make special stallion awards to owners of stallions of accredited Louisiana bred offspring and to supplement purses and to make special breeders' awards to the breeders of accredited Louisiana bred quarter horses which finish first second or third in a race or races conducted at a race meeting or meetings in Louisiana.

Commissions 2%

As provided by R.S. 4:165 (C), each licensee conducting race meetings shall withhold 1% 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.

Slot Machine Funds

As prescribed by Louisiana R.S. 27:361(B)(4)(c), each licensed eligible facility shall pay a fixed percentage of 1% 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.

Video Draw Poker Device Purse Supplement Funds

As enacted by Louisiana Revised Statute 27:439(B)(2) & (2) (a), 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.

One-third of the funds appropriated to the commission pursuant to the act are allocated and provided to The Louisiana Quarter Horse Breeders Association. The funds are distributed periodically based on requests from the Association for scheduled race days during active race meetings. The funds shall be used solely to supplement purses and are maintained in separate accounts and thus restricted funds.

1. Summary of Significant Accounting Policies (Continued)

Yearling and Mixed Sales

The Association conducts annual yearling and mixed sales and receives a commission on the sales proceeds to conduct the sales. Some board members participate in these sales on occasions. The transactions between the Association and board members are exchanged at an arms-length transaction with no special considerations.

j. Accounting Changes

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued **Accounting Standards Update (“ASU”) 2014-09**, Revenue from Contracts with Customers, to replace a wide range of industry-specific rules with a broad, principles-based framework for recognizing and measuring revenue from contracts with customers. The guidance is codified at FASB ASC 606. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Association’s revenue is composed of fees and tax support, memberships, and commissions on sales. The Association’s services that fall within the scope of ASC 606 are presented within income and are recognized as revenue as the Association satisfies its obligation to the customer. Adoption of ASU 2014-09, which was effective for the Association on January 1, 2019, did not have a material impact on the financial statements.

In February 2016, the FASB issued **ASU 2016-02**, Leases (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity’s leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented.

k. Property, Premises, Furniture and Equipment

Property, premises, furniture, and equipment are carried at cost less accumulated depreciation. Depreciation of premises, furniture, and equipment is provided on the straight-line and accelerated methods over the estimated useful lives of the related assets. Expenditures for major renewals and betterments of association premises and equipment are capitalized, and those for maintenance and repairs are charged to expense as incurred. When premises and equipment are retired or otherwise disposed of, the cost of the assets and related accumulated depreciation are removed from the accounts and the resulting gains or losses are recognized.

2. Investment Securities and Certificates of Deposit

Securities held to maturity and certificates of deposit consist of the following:

	<u>2020</u>	<u>2019</u>
Restricted:		
Investments at Wells Fargo		
Mortgage backed securities (level 1, market value)	3,433,582	4,650,587
Money market accounts (level 3, cost approximates market value)	<u>1,852,523</u>	<u>1,026,598</u>
Total	<u>5,286,105</u>	<u>5,677,185</u>
Non-restricted:		
Investments at Wells Fargo		
Mortgage backed securities (level 1, market value)	675,847	830,792
Money market accounts (level 3, cost approximates market value)	<u>497,284</u>	<u>171,906</u>
Total	<u>1,173,131</u>	<u>1,002,698</u>

The Association follows *Fair Value Measurements* which among other things require enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework 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 the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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 and significant to the fair value measurement.

The asset's 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.

2. Investment Securities and Certificates of Deposit (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value

U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange Traded Funds: Valued at the closing price reported on the active market on which the funds are traded.

Money market: Approximates fair value because of the immediate or short-term maturities of these financial statements.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the financial statements.

3. 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.

4. Defined Contribution Pension Plan

All full-time employees are currently eligible to participate in a simple IRA retirement plan. Contributions to the Plan by the Association totaled \$10,247 and \$6,514 for the years ended December 31, 2020 and 2019, respectively.

5. Uncertainties Arising Due to Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Association operates. It is unknown how long these conditions will last and what the financial effect will be to the Association.

6. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2021, noted the following significant subsequent event as of this date.

6. **Subsequent Events** (Continued)

Paycheck Protection Program

In February 2021, the Association received a \$79,000 loan under the Small Business Administration's Paycheck Protection Program (the "Program"). Loan proceeds are to be used to cover payroll expenses and certain other overhead expenses as defined by the Program. To the extent the Association is able to use the proceeds for qualified expenses, loan proceeds may be forgiven. Payments on any unforgiven loan proceeds are due monthly beginning 17 months from loan origination and bear interest at 1.0%. The loan matures in February 2026.

SUPPLEMENTARY INFORMATION

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION IN ACCORDANCE WITH
LOUISIANA REVISED STATUTE 24:513(A)(3) (ACT 706 OF 2014)
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2020

Bruce Salard, Executive Director:

Salary	141,181
Car allowance	7,200
Cell phone	1,041
Retirement	14,180
Health insurance	9,000

OTHER FINANCIAL INFORMATION

HEARD, McELROY, & VESTAL

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June 29, 2021

To the Board of Directors
Louisiana Quarter Horse Breeders Association
Alexandria, Louisiana

**Independent Auditor's 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**

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 Quarter Horse Breeders Association (a non-profit organization), which collectively comprise the statement of assets, liabilities, and net assets-modified cash basis as of December 31, 2020, 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 29, 2021.

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 over financial reporting 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Quarter Horse Breeders Association's financial statements are free of 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.

This report is intended for the information and use of the Legislative Auditor of the State of Louisiana, the Louisiana Quarter Horse Breeders Association's management and Board of Directors and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Louisiana Quarter Horse Breeders Association.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance were disclosed during the audit.
4. Louisiana Quarter Horse Breeders Association is not subject to a federal single audit for the year ended December 31, 2020.

II. Findings – Financial Statement Audit

None

III. Findings – Prior Year

None