

**LOUISIANA THOROUGHBRED BREEDERS  
ASSOCIATION**

Audit of Financial Statements

December 31, 2019



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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, 2019, 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 \$31,204 would not be recorded and net assets would decrease by \$31,204 as of December 31, 2019. Excess revenues over expenses would decrease by approximately \$2,000 for the year ended December 31, 2019.

**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, 2019, 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, 2018 amounts were included for comparative purposes only.

**Report on Summarized Comparative Information**

We have previously audited the Association's 2018 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 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 29, 2020, 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 29, 2020

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION**  
**Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis**  
**as of December 31, 2019**

**With Summarized Financial Information as of December 31, 2018**

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2019	2018
<b>Assets</b>							
<b>Current Assets</b>							
Cash and Cash Equivalents	\$ 450,985	\$ 3,966	\$ -	\$ -	\$ -	\$ 454,951	\$ 686,517
Certificates of Deposit	1,250,000	-	-	-	-	1,250,000	400,000
Restricted Cash	42,900	-	473	83,377	3,575,781	3,702,531	3,022,469
Restricted Certificates of Deposit	-	-	-	-	850,000	850,000	400,000
Accounts Receivable	31,204	-	-	-	-	31,204	29,008
<b>Total Current Assets</b>	<b>1,775,089</b>	<b>3,966</b>	<b>473</b>	<b>83,377</b>	<b>4,425,781</b>	<b>6,288,686</b>	<b>4,537,994</b>
<b>Property and Equipment - Net</b>							
Furniture and Equipment	133,915	-	-	-	-	133,915	133,915
Buildings	120,756	-	-	-	-	120,756	120,756
Software	2,421	-	-	-	-	2,421	2,421
<b>Total Property and Equipment</b>	<b>257,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>257,092</b>	<b>257,092</b>
Less: Accumulated Depreciation	(187,117)	-	-	-	-	(187,117)	(182,081)
<b>Total Property and Equipment - Net</b>	<b>69,975</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,975</b>	<b>75,011</b>
<b>Other Assets</b>							
Certificates of Deposit	-	-	-	-	-	-	600,000
Restricted Cash	31,530	-	-	-	-	31,530	26,100
Restricted Certificates of Deposit	-	-	-	-	-	-	450,000
Investment - Breeders Sales Company	-	-	-	-	-	-	20,000
Deposits	600	-	-	-	-	600	600
<b>Total Other Assets</b>	<b>32,130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,130</b>	<b>1,096,700</b>
<b>Total Assets</b>	<b>\$ 1,877,194</b>	<b>\$ 3,966</b>	<b>\$ 473</b>	<b>\$ 83,377</b>	<b>\$ 4,425,781</b>	<b>\$ 6,390,791</b>	<b>\$ 5,709,705</b>

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, 2019**

With Summarized Financial Information as of December 31, 2018

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2019	2018
<b>Liabilities and Net Assets</b>							
<b>Current Liabilities</b>							
Deposits - Futurity Races	\$ 42,900	\$ -	\$ -	\$ -	\$ -	\$ 42,900	\$ 40,800
Total Current Liabilities	42,900	-	-	-	-	42,900	40,800
<b>Long-Term Liabilities</b>							
Deposits - Futurity Races	31,530	-	-	-	-	31,530	26,100
Total Long-Term Liabilities	31,530	-	-	-	-	31,530	26,100
Total Liabilities	74,430	-	-	-	-	74,430	66,900
<b>Net Assets Without Donor Restrictions</b>							
Designated - Compliance with Louisiana Revised Statutes	-	-	473	83,377	4,425,781	4,509,631	3,831,669
Undesignated	1,802,764	3,966	-	-	-	1,806,730	1,811,136
Total Net Assets	1,802,764	3,966	473	83,377	4,425,781	6,316,361	5,642,805
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,877,194</b>	<b>\$ 3,966</b>	<b>\$ 473</b>	<b>\$ 83,377</b>	<b>\$ 4,425,781</b>	<b>\$ 6,390,791</b>	<b>\$ 5,709,705</b>

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, 2019**

**With Summarized Financial Information for the Year Ended December 31, 2018**

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2019	2018
<b>Revenues</b>							
Slot Machine Proceeds - 2%	\$ -	\$ -	\$ -	\$ -	\$ 6,983,204	\$ 6,983,204	\$ 7,599,075
10% from Tracks	-	-	-	825,260	-	825,260	828,600
LSRC Co-Op	-	-	-	-	700,000	700,000	700,000
Awards - 9.1%	-	-	-	424,017	-	424,017	488,733
Commissions - 2%	540,121	-	-	-	-	540,121	588,413
Awards - Triple Crown Races	-	249,338	-	-	-	249,338	285,220
Fees - 14%	141,890	-	-	-	-	141,890	154,025
Accrediting Fees	86,200	-	-	-	-	86,200	89,175
Publications - Louisiana Horse	94,886	-	-	-	-	94,886	100,054
State Grant	60,000	-	-	-	-	60,000	60,000
Members' Dues	47,385	-	-	-	-	47,385	59,690
SALAM Awards - 8% and 15.1%	-	-	28,047	-	-	28,047	43,081
Nominations	-	38,400	-	-	-	38,400	34,900
Mare and Stallion Registration	24,988	-	-	-	-	24,988	36,150
Stallion Fees	-	11,000	-	-	-	11,000	16,500
Interest Income	29,533	285	-	716	61,241	91,775	55,789
Management Fee Income	9,816	-	-	-	-	9,816	12,017
Slot/OTB Interest Transfer	49,432	-	-	-	-	49,432	28,259
Donation from Breeders Sales Company of Louisiana	42,225	-	-	-	-	42,225	-
Website Advertising	-	-	-	-	-	-	210
Finance Charges	1,352	-	-	-	-	1,352	871
Miscellaneous	7,640	-	-	-	-	7,640	22,224
Newsletter Sponsorship	-	-	-	-	-	-	400
General Sponsorship	3,847	-	-	-	-	3,847	-
<b>Total Revenues</b>	<b>1,139,315</b>	<b>299,023</b>	<b>28,047</b>	<b>1,249,993</b>	<b>7,744,445</b>	<b>10,460,823</b>	<b>11,203,386</b>

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, 2019**

**With Summarized Financial Information for the Year Ended December 31, 2018**

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2019	2018
<b>Expenses</b>							
Breeders' Awards	-	-	924,313	2,344,855	3,103,205	6,372,373	6,491,652
Stallion Awards	-	-	-	-	900,000	900,000	900,000
Purse Supplements	-	301,738	-	460,000	-	761,738	915,446
Salaries	480,338	-	-	-	-	480,338	422,761
Breeder's Awards - Out of State	-	-	-	-	400,352	400,352	400,164
Out of State Stakes Awards	-	-	-	-	161,521	161,521	26,672
Insurance	89,330	-	-	-	-	89,330	82,725
Research, Public Relations and Lobbying	75,000	-	-	-	-	75,000	75,000
Publication Expense	41,423	-	-	-	-	41,423	30,604
Advertising and Promotion	59,007	-	-	-	-	59,007	50,352
Professional and General Accounting Fees	32,368	-	-	-	-	32,368	41,120
Payroll Taxes	37,700	-	-	-	-	37,700	35,001
Meetings and Banquets	62,220	6,306	-	-	-	68,526	32,495
Field Inspector	32,500	-	-	-	-	32,500	30,000
Computer Fees	46,546	-	-	-	-	46,546	30,289
Legal	2,721	-	-	-	-	2,721	506
Postage and Shipping	15,406	-	-	-	-	15,406	16,664
Office Expense	16,672	-	-	-	-	16,672	15,067
Car Allowance	15,000	-	-	-	-	15,000	15,000
Equipment Rental	6,403	-	-	-	-	6,403	10,895
Travel	14,064	-	-	-	-	14,064	12,345
Contributions	10,092	-	-	-	-	10,092	8,300
Depreciation	5,036	-	-	-	-	5,036	7,754
Trophies	11,414	-	-	-	-	11,414	9,259
Pedigree Research	8,105	-	-	-	-	8,105	10,314
Telephone Expense	8,799	-	-	-	-	8,799	9,409
Website/Internet	15,674	-	-	-	-	15,674	16,176
Scholarships	16,000	-	-	-	-	16,000	12,000
Taxes and Licenses	7,670	-	-	-	-	7,670	7,452
Interest Transfers	-	-	-	462	49,359	49,821	28,501
Election Expense	-	-	-	-	-	-	5,930
Writers and Photographer Fees	5,950	-	-	-	-	5,950	13,935
Printing	5,523	-	-	-	-	5,523	7,091
Dues and Subscriptions	2,250	-	-	-	-	2,250	2,633
Repairs and Maintenance	7,857	-	-	-	-	7,857	19,691
General Accounting	2,600	-	-	-	-	2,600	1,550
Bank Charges	922	110	-	426	30	1,488	1,873
<b>Total Expenses</b>	<b>1,134,590</b>	<b>308,154</b>	<b>924,313</b>	<b>2,805,743</b>	<b>4,614,467</b>	<b>9,787,267</b>	<b>9,796,626</b>
<b>Excess (Deficit) Revenues Over Expenses</b>	<b>\$ 4,725</b>	<b>\$ (9,131)</b>	<b>\$ (896,266)</b>	<b>\$ (1,555,750)</b>	<b>\$ 3,129,978</b>	<b>\$ 673,556</b>	<b>\$ 1,406,760</b>

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, 2019**

**With Summarized Financial Information for the Year Ended December 31, 2018**

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2019	2018
<b>Net Assets Without Donor Restriction - Beginning of Year</b>	\$ 1,798,039	\$ 13,097	\$ 1,687	\$ 118,283	\$ 3,711,699	\$ 5,642,805	\$ 4,236,045
<b>Excess (Deficit) Revenues Over Expenses</b>	4,725	(9,131)	(896,266)	(1,555,750)	3,129,978	673,556	1,406,760
<b>Transfer (To) From Other Funds</b>	-	-	895,052	1,520,844	(2,415,896)	-	-
<b>Net Assets Without Donor Restrictions - End of Year</b>	<u>\$ 1,802,764</u>	<u>\$ 3,966</u>	<u>\$ 473</u>	<u>\$ 83,377</u>	<u>\$ 4,425,781</u>	<u>\$ 6,316,361</u>	<u>\$ 5,642,805</u>

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

# LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

## Notes to Financial Statements

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### 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. Branch office representatives are available at Delta Downs in Vinton, Evangeline Downs in Opelousas and at Louisiana Downs in Bossier. 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 Financial Statements

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### 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, 2019.

#### **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.

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the Association reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions include those net assets available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are those net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2019, all net assets were without donor restrictions; however, certain net assets are designated for use in paying breeder's awards as prescribed by Louisiana Revised State Statutes, as explained in Note 2.

### 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:

# LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

## Notes to Financial Statements

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### Note 2. Sources and Uses of Funds (Continued)

#### 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.

*Commissions 2%* - As provided by R.S. 4:165(C), for all Louisiana-bred races 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.

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, 2019, the Association received \$249,338 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 Financial Statements

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### 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 has paid 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. Beginning with the Delta Downs meet in October 2019, the Association paid awards equal to 18% of the earned purse, with a purse cap of \$200,000, to the breeders of accredited Louisiana bred foals that are by a stallion that stood outside the state of Louisiana at the time of cover. Also with the beginning of the Delta Downs race meet in 2019, the Association paid awards equal to 20% of the earned purse, with a purse cap of \$200,000, to the breeders of accredited Louisiana bred foals that are by a stallion standing in the state of Louisiana at the time of cover.

As mentioned in Note 1, SALAM breeders awards are funded primarily through Slot Machine funds. For the year ended December 31, 2019, \$895,052 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 Open Races. An Accredited Louisiana-Bred Race is one that is written exclusively for accredited Louisiana-bred horses. An 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 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. Beginning with the Delta Downs meet in October 2019, the Association paid awards equal to 18% of the earned purse, with a purse cap of \$200,000, to the breeders of accredited Louisiana bred foals that are by a stallion that stood outside the state of Louisiana at the time of cover. Also with the beginning of the Delta Downs race meet in 2019, the Association paid awards equal to 20% of the earned purse, with a purse cap of \$200,000, to the breeders of accredited Louisiana bred foals that are by a stallion standing in the state of Louisiana at the time of cover.

# LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

## Notes to Financial Statements

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### Note 2. Sources and Uses of Funds (Continued)

#### Other Races Funds (Continued)

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.

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, 2019, \$895,052 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 2019, the total paid was \$400,352.

Out of state stake race awards are paid quarterly at an amount predetermined by the Board of Directors of the Association. Beginning with the Delta Downs meet in October 2019, the Association paid awards equal to 18% of the earned purse, with a purse cap of \$200,000, to the breeders of accredited Louisiana bred foals that are by a stallion that stood outside the state of Louisiana at the time of cover. Also with the beginning of the Delta Downs race meet in 2019, the Association paid awards equal to 20% of the earned purse, with a purse cap of \$200,000, to the breeders of accredited Louisiana bred foals that are by a stallion standing in the state of Louisiana at the time of cover. The amount paid by the Association during the year ended December 31, 2019 was \$161,521.

# LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

## Notes to Financial Statements

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### Note 2. Sources and Uses of Funds (Continued)

#### Slot Machine Funds (Continued)

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, 2019, \$3,103,205 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. Beginning with the Delta Downs meet in October 2019, the Association paid awards equal to 18% of the earned purse, with a purse cap of \$200,000, to the breeders of accredited Louisiana bred foals that are by a stallion that stood outside the state of Louisiana at the time of cover. Also with the beginning of the Delta Downs race meet in 2019, the Association paid awards equal to 20% of the earned purse, with a purse cap of \$200,000, to the breeders of accredited Louisiana bred foals that are by a stallion standing in the state of Louisiana at the time of cover. 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, 2019 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 \$2,415,896 for the year ended December 31, 2019.

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 Financial Statements

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### 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 \$5,036 for the year ended December 31, 2019.

### 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 \$59,007 for the year ended December 31, 2019.

### 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, 2019, the Association's deposits held for futurity races are classified accordingly: \$42,900 for the 2020 futurity, in current liabilities, and \$31,350 for the 2021 and 2022 futurities, 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 Financial Statements

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### 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 \$8,643,823 include payments of breeders' awards, stallion awards, purse supplements, and the Louisiana Champions Day, and account for approximately 88% of the Association's expenditures. Approximately 12% of expenses are for supporting activities, totaling \$1,143,444 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

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, 2019, the members of the Board of Directors had related party transactions with the Association as follows:

A total of approximately \$976,155 was paid to board members during 2019 in the form of breeders' and stallion awards.

Included within accounts receivable of *Louisiana Horse Magazine* is \$15,768 that is owed by various directors as of December 31, 2019.

### 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, 2019, these excess balances approximated \$100,000.

### 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.

# LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

## Notes to Financial Statements

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### 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

In the first quarter of 2020, the spread of the COVID-19 pandemic has caused significant financial market volatility and economic uncertainty, and is currently impacting countries, communities and workforces around the world. The effects of the COVID-19 pandemic on the Association and the duration of any such effects, including the cease of all thoroughbred racing in the State are not quantifiable at this time. The long-term financial and economic impacts of the COVID-19 pandemic may continue for a significant period of time and cannot be reliably quantified or estimated at this time due to the uncertainty of future developments.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law to provide widespread emergency relief for the economy and to provide aid. The CARES Act includes several significant provisions related to ongoing operations and payroll protection. When all thoroughbred racing ceased in the state of Louisiana in March 2020, the Association had no current operating income and no foreseeable way to forecast the effects of this pandemic on the industry. The Association applied for and was granted funding under the Payroll Protection Plan (PPP) of the CARES Act, due to the uncertainty of future income. The Association, as of the date of this report, has maintained all current employees as stipulated by the PPP. The CARES Act PPP loan forgiveness provisions addressed IRC §501(c) organizations, currently IRC §501(c)(6) organizations, such as the Association, have not been granted such forgiveness. If such forgiveness of is not granted to IRC §501(c)(6) organizations, the Association intends to repay the PPP loan.

The Association completed its subsequent events review through June 29, 2020, the date on which the financial statements were available to be issued. There were no additional events that would require 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,	
	2019	2018
<b>Revenues</b>		
Commissions - 2%	\$ 540,121	\$ 588,413
Fees - 14%	141,890	154,025
Accrediting Fees	86,200	89,175
Publications - Louisiana Horse	94,886	100,054
State Grant	60,000	60,000
Members' Dues	47,385	59,690
Mare and Stallion Registration	24,988	36,150
Management Fee Income	9,816	12,017
Sponsorship (LCD)	3,847	-
Interest and Dividend Income	29,533	17,129
Slot/OTB Interest Transfer	49,432	28,259
Donation from Breeders Sales Company of Louisiana	42,225	-
Website Advertising	-	210
Finance Charges	1,352	871
Miscellaneous	7,640	22,224
Newsletter Sponsorship	-	400
	<u>1,139,315</u>	<u>1,168,617</u>
<b>Expenses</b>		
Salaries	480,338	422,761
Insurance	89,330	82,725
Research, Public Relations, and Lobbying	75,000	75,000
Publication Expense	41,423	30,604
Advertising and Promotion	59,007	50,352
Professional and General Accounting Fees	32,368	41,120
Payroll Taxes	37,700	35,001
Meetings and Banquets	62,220	29,482
Field Inspector	32,500	30,000
Computer Expense	46,546	30,289
Legal	2,721	506
Postage and Shipping	15,406	16,664
Pension Expense	-	-
Office Expense	16,672	15,067
Car Allowance	15,000	15,000
Equipment Rental	6,403	10,895
Travel	14,064	12,345
Contributions	10,092	8,300
Depreciation	5,036	7,754
Pedigree Research	8,105	10,314
Telephone Expense	8,799	9,409
Website/Internet	15,674	16,176
Scholarships	16,000	12,000
Taxes and Licenses	7,670	7,452
Trophies	11,414	9,259
Election Expense	-	5,930
Writer and Photographer Fees	5,950	13,935
Printing	5,523	7,091
Dues and Subscriptions	2,250	2,633
Repairs and Maintenance	7,857	19,691
General Accounting	2,600	1,550
Bank Charges	922	1,066
	<u>1,134,590</u>	<u>1,030,371</u>
<b>Excess Revenues Over Expenses</b>	<u>\$ 4,725</u>	<u>\$ 138,246</u>

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,	
	2019	2018
<b>Revenues</b>		
Awards - Triple Crown Races	\$ 249,338	\$ 285,220
Nominations	38,400	34,900
Stallion Fees	11,000	16,500
LQHBA Contribution	-	-
Interest Income	285	454
	299,023	337,074
<b>Expenses</b>		
Purses Paid Out	301,738	332,414
Trophies	-	-
Advertising and Promotion	-	-
Bank Charges	110	110
Meetings and Banquets	6,306	3,013
	308,154	335,537
<b>Excess Revenues Over Expenses</b>	\$ (9,131)	\$ 1,537

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,	
	2019	2018
<b>Revenues</b>		
SALAM Awards - 8% and 15.1%	\$ 28,047	\$ 43,081
Total Revenues	<u>28,047</u>	<u>43,081</u>
<b>Expenses</b>		
Breeders' Awards	<u>924,313</u>	<u>953,316</u>
Total Expenses	<u>924,313</u>	<u>953,316</u>
<b>Deficit Revenues Over Expenses</b>	<u>\$ (896,266)</u>	<u>\$ (910,235)</u>

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,	
	2019	2018
<b>Revenues</b>		
10% from Tracks	\$ 825,260	\$ 828,600
OTB - 9.1%	424,017	488,733
Interest Income	716	657
	1,249,993	1,317,990
<b>Expenses</b>		
Breeders' Awards	2,344,855	2,347,628
Purse Supplements	460,000	583,032
Transfer of Interest	462	-
Bank Charges	426	404
	2,805,743	2,931,064
<b>Deficit Revenues Over Expenses</b>	<b>\$ (1,555,750)</b>	<b>\$ (1,613,074)</b>

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,	
	2019	2018
<b>Revenues</b>		
Slot Machine Proceeds - Delta Downs	\$ 3,601,714	\$ 4,019,488
Slot Machine Proceeds - Evangeline Downs	1,665,557	1,773,986
Slot Machine Proceeds - Louisiana Downs	818,683	942,867
Slot Machine Proceeds - Fair Grounds	897,250	862,734
Louisiana State Racing Commission Co Op	700,000	700,000
Interest Income	61,241	37,549
	<u>7,744,445</u>	<u>8,336,624</u>
<b>Expenses</b>		
Breeders' Awards - LA Bred	3,103,205	3,190,708
Stallion Awards	900,000	900,000
Breeders' Awards - Out of State	400,352	400,164
Out of State Stakes Awards	161,521	26,672
Transfer of Interest	49,359	28,501
Bank Charges	30	293
	<u>4,614,467</u>	<u>4,546,338</u>
Total Expenses	<u>4,614,467</u>	<u>4,546,338</u>
<b>Excess Revenues Over Expenses</b>	<u>\$ 3,129,978</u>	<u>\$ 3,790,286</u>

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, 2019		Favorable (Unfavorable)
	Budget	Actual	Variance
<b>Revenues</b>			
Commissions - 2%	\$ 575,000	\$ 540,121	\$ (34,879)
Fees - 14%	155,000	141,890	(13,110)
Publications- Louisiana Horse	100,000	94,886	(5,114)
Accrediting Fees	90,000	86,200	(3,800)
Members' Dues	65,000	47,385	(17,615)
State Grant	60,000	60,000	-
Mare and Stallion Registration	35,000	24,988	(10,012)
Management Fee Income	12,000	9,816	(2,184)
Interest and Slot/OTB Interest Transfer	80,000	78,965	(1,035)
Donation from BSCOL	42,225	42,225	-
Miscellaneous	5,000	7,640	2,640
Finance Charges	1,000	1,352	352
PAC Revenue	1,000	-	(1,000)
Sponsorships (LCD & LA Cup Day)	-	3,847	3,847
	<u>1,221,225</u>	<u>1,139,315</u>	<u>(85,757)</u>
<b>Expenses</b>			
Salaries	485,000	480,338	4,662
Insurance	100,000	89,330	10,670
Research, Public Relations, and Lobbying	75,000	75,000	-
Advertising and Promotion	45,000	59,007	(14,007)
Computer Expense (including Website and Internet)	74,000	62,220	11,780
Publication Expense	45,000	41,423	3,577
Payroll Taxes	36,337	37,700	(1,363)
Professional and General Accounting Fees	40,000	34,968	5,032
Field Inspector	30,000	32,500	(2,500)
Meetings and Banquets	55,000	62,220	(7,220)
Postage and Shipping	15,000	15,406	(406)
Travel	15,000	14,064	936
Office Expense	15,500	16,672	(1,172)
Car Allowance	15,000	15,000	-
Equipment Rental	7,500	6,403	1,097
Telephone Expense	10,000	8,799	1,201
Pedigree Research	10,000	8,105	1,895
Scholarships	14,000	16,000	(2,000)
Contributions	10,000	10,092	(92)
Taxes and Licenses	8,000	7,670	330
Trophies	15,000	11,414	3,586
Printing	7,500	5,523	1,977
Legal	7,500	2,721	4,779
Election Expense	6,000	-	6,000
Writer and Photographer Fees	7,500	5,950	1,550
Depreciation	7,500	5,036	2,464
Dues and Subscriptions	2,500	2,250	250
Repairs and Maintenance	5,000	7,857	(2,857)
Bank Charges	1,000	922	78
Bad Debt	500	-	500
	<u>1,165,337</u>	<u>1,134,590</u>	<u>30,747</u>
<b>Excess Revenues Over Expenses</b>	<u>\$ 55,888</u>	<u>\$ 4,725</u>	<u>\$ (55,010)</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, 2019, 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, 2020.

**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 29, 2020

## 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, 2019, and have issued our report thereon, dated June 28, 2020, 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, 2020.

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, 2020

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**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

<b>Purpose</b>	<b>Amount</b>
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, 2019 - December 31, 2019**

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, 2019 through December 31, 2019. 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:

***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) ***Disaster Recovery/Business Continuity*** including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: LaPorte obtained the written policies and procedures document for disaster recovery and business continuity. There were no exceptions noted.

## ***Payroll and Personnel***

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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 handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation  
Metairie, LA

June 29, 2020



*Louisiana Thoroughbred Breeders Association*

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

June 29, 2020

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, 2019.

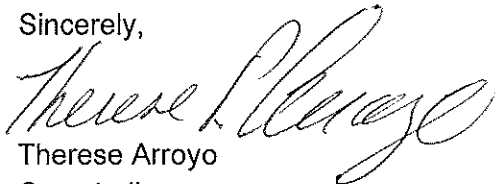
**Payroll and Personnel:**

*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

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**TRACKS**

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