

**LOUISIANA THOROUGHBRED BREEDERS
ASSOCIATION**

Audit of Financial Statements

December 31, 2021



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Independent Auditor's Report

To the Board of Directors of
Louisiana Thoroughbred Breeders Association

Qualified Opinion

We have audited the accompanying financial statements of Louisiana Thoroughbred Breeders Association (the Association), which comprise of the statements of assets, liabilities, and net assets - modified cash basis as of December 31, 2021, 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.

In our opinion, except for the effects of the matter discussed in the basis for qualified opinion section of our report, 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, 2021, 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 for Qualified Opinion

As more fully discussed in Note 3 to the financial statements, the Association has accrued certain Revenues related to the publication of Louisiana Horse Magazine. If the revenues were not accrued, accounts receivable of \$26,359 would not be recorded and net assets would decrease by approximately \$5,200 as of December 31, 2021. Excess revenues over expenses would increase by approximately \$5,200 for the year ended December 31, 2021.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principals generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying supplementary information 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to 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, except for the effects of the accrual of certain revenues, as described in the Basis for Qualified Opinion, the supplementary 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, 2020 amounts are included for comparative purposes only.

Other Reporting Required by *Government Auditing Standards*

In accordance with the *Government Auditing Standards*, we have also issued our report dated June 20, 2022 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 Professional Accounting Corporation

Metairie, LA
June 20, 2022

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
as of December 31, 2021

With Summarized Financial Information as of December 31, 2020

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2021	2020
Assets							
Current Assets							
Cash and Cash Equivalents	\$ 909,560	\$ 12,872	\$ -	\$ -	\$ -	\$ 922,432	\$ 700,473
Certificates of Deposit	400,000	-	-	-	-	400,000	800,000
Restricted Cash	43,850	-	1,187	225,045	4,074,447	4,344,529	3,723,439
Restricted Certificates of Deposit	-	-	-	-	400,000	400,000	800,000
Accounts Receivable	26,359	-	-	-	-	26,359	31,594
Total Current Assets	1,379,769	12,872	1,187	225,045	4,474,447	6,093,320	6,055,506
Property and Equipment - Net							
Furniture and Equipment	138,554	-	-	-	-	138,554	138,554
Buildings	106,084	-	-	-	-	106,084	120,756
Software	2,421	-	-	-	-	2,421	2,421
Total Property and Equipment	247,059	-	-	-	-	247,059	261,731
Less: Accumulated Depreciation	(186,041)	-	-	-	-	(186,041)	(191,723)
Total Property and Equipment - Net	61,018	-	-	-	-	61,018	70,008
Other Assets							
Restricted Cash	28,230	-	-	-	-	28,230	27,350
Restricted Certificates of Deposit	20,000	-	-	-	-	20,000	-
Deposits	600	-	-	-	-	600	600
Total Other Assets	48,830	-	-	-	-	48,830	27,950
Total Assets	\$ 1,489,617	\$ 12,872	\$ 1,187	\$ 225,045	\$ 4,474,447	\$ 6,203,168	\$ 6,153,464

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, 2021

With Summarized Financial Information as of December 31, 2020

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2021	2020
Liabilities and Net Assets							
Current Liabilities							
Deposits - Futurity Races	\$ 43,850	\$ -	\$ -	\$ -	\$ -	\$ 43,850	\$ 45,640
Total Current Liabilities	43,850	-	-	-	-	43,850	45,640
Long-Term Liabilities							
Deposits - Futurity Races	28,230	-	-	-	-	28,230	27,350
Total Long-Term Liabilities	28,230	-	-	-	-	28,230	27,350
Total Liabilities	72,080	-	-	-	-	72,080	72,990
Net Assets Without Donor Restrictions							
Designated - Compliance with Louisiana Revised Statutes	-	-	1,187	225,045	4,474,447	4,700,679	4,477,799
Undesignated	1,417,537	12,872	-	-	-	1,430,409	1,602,675
Total Net Assets	1,417,537	12,872	1,187	225,045	4,474,447	6,131,088	6,080,474
Total Liabilities and Net Assets	\$ 1,489,617	\$ 12,872	\$ 1,187	\$ 225,045	\$ 4,474,447	\$ 6,203,168	\$ 6,153,464

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, 2021

With Summarized Financial Information for the Year Ended December 31, 2020

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2021	2020
Revenues							
Slot Machine Proceeds - 2%	\$ -	\$ -	\$ -	\$ -	\$ 6,853,490	\$ 6,853,490	\$ 5,075,960
10% from Tracks	-	-	-	488,900	-	488,900	502,810
LSRC Co-Op	-	-	-	-	700,000	700,000	700,000
Awards - 9.1%	-	-	-	360,624	-	360,624	314,965
Commissions - 2%	609,443	-	-	-	-	609,443	432,616
Awards - Triple Crown Races	-	240,139	-	-	-	240,139	131,495
Fees - 14%	91,561	-	-	-	-	91,561	107,916
Accrediting Fees	91,465	-	-	-	-	91,465	90,525
Publications - Louisiana Horse	69,557	-	-	-	-	69,557	68,516
State Grant	60,000	-	-	-	-	60,000	60,000
Members' Dues	46,050	-	-	-	-	46,050	49,615
SALAM Awards - 8% and 15.1%	-	-	28,299	-	-	28,299	26,333
Nominations	-	-	-	-	-	-	38,100
Mare and Stallion Registration	25,375	-	-	-	-	25,375	24,875
Stallion Fees	-	15,210	-	-	-	15,210	11,300
Interest Income	3,072	328	-	175	9,053	12,628	52,245
Management Fee Income	-	-	-	-	-	-	12,133
Slot/OTB Interest Transfer	25,154	-	-	-	-	25,154	17,122
Breeders Sale	48,790	-	-	-	-	48,790	-
Miscellaneous	10,282	-	-	-	-	10,282	-
PAC Revenue	575	-	-	-	-	575	670
PPP Grant Income	-	-	-	-	-	-	94,000
Sponsorship (LCD)	-	-	-	-	-	-	1,250
Total Revenues	1,081,324	255,677	28,299	849,699	7,562,543	9,777,542	7,812,446

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, 2021

With Summarized Financial Information for the Year Ended December 31, 2020

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2021	2020
Expenses							
Breeders' Awards	-	-	1,155,333	1,555,498	3,788,601	6,499,432	5,104,780
Stallion Awards	-	-	-	-	900,000	900,000	900,000
Purse Supplements	-	248,910	-	303,912	-	552,822	472,778
Salaries	444,747	-	-	-	-	444,747	409,905
Breeder's Awards - Out of State	-	-	-	-	400,084	400,084	400,042
Out of State Stakes Awards	-	-	-	-	89,886	89,886	69,534
Insurance	94,748	-	-	-	-	94,748	81,190
Research, Public Relations, and Lobbying	81,250	-	-	-	-	81,250	68,750
Publication Expense	34,741	-	-	-	-	34,741	45,196
Advertising and Promotion	58,605	-	-	-	-	58,605	60,729
Professional and General Accounting Fees	39,427	-	-	-	-	39,427	41,015
Payroll Taxes	32,868	-	-	-	-	32,868	31,096
Meetings and Banquets	17,517	-	-	-	-	17,517	21,327
Field Inspector	27,500	-	-	-	-	27,500	30,000
Computer Fees	158,776	-	-	-	-	158,776	135,166
Legal	103,608	-	-	-	-	103,608	16,567
Postage and Shipping	12,772	-	-	-	-	12,772	13,278
Office Expense	14,016	-	-	-	-	14,016	6,925
Car Allowance	15,000	-	-	-	-	15,000	15,000
Equipment Rental	10,753	-	-	-	-	10,753	7,969
Travel	15,275	-	-	-	-	15,275	6,136
Contributions	13,463	-	-	-	-	13,463	9,666
Depreciation	5,048	-	-	-	-	5,048	4,606
Trophies	9,010	-	-	-	-	9,010	10,503
Pedigree Research	7,939	-	-	-	-	7,939	6,277
Telephone Expense	6,681	-	-	-	-	6,681	6,383
Website/Internet	13,703	-	-	-	-	13,703	13,988
Scholarships	12,000	-	-	-	-	12,000	10,000
Taxes and Licenses	4,331	-	-	-	-	4,331	2,471
Interest Transfers	-	-	-	9	20,131	20,140	19,133
Election Expense	5,905	-	-	-	-	5,905	6,089
Writers and Photographer Fees	4,570	-	-	-	-	4,570	5,800
Printing	4,259	-	-	-	-	4,259	6,121
Dues and Subscriptions	2,250	-	-	-	-	2,250	2,425
Repairs and Maintenance	8,856	-	-	-	-	8,856	5,812
Loss on Disposal	2,742	-	-	-	-	2,742	-
Micellaneous	1,017	-	-	-	-	1,017	-
Bank Charges	570	89	-	337	191	1,187	1,676
Total Expenses	1,263,947	248,999	1,155,333	1,859,756	5,198,893	9,726,928	8,048,333
Excess (Deficit) Revenues Over Expenses	\$ (182,623)	\$ 6,678	\$ (1,127,034)	\$ (1,010,057)	\$ 2,363,650	\$ 50,614	\$ (235,887)

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, 2021

With Summarized Financial Information for the Year Ended December 31, 2020

	Operating	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
						2021	2020
Net Assets Without Donor Restriction - Beginning of Year	\$ 1,596,430	\$ 6,246	\$ 917	\$ 205,481	\$ 4,271,401	\$ 6,080,474	\$ 6,316,361
Excess (Deficit) Revenues Over Expenses	(182,623)	6,678	(1,127,034)	(1,010,057)	2,363,650	50,614	(235,887)
Transfer (To) From Other Funds	3,731	(52)	1,127,304	1,029,621	(2,160,604)	-	-
Net Assets Without Donor Restrictions - End of Year	<u>\$ 1,417,537</u>	<u>\$ 12,872</u>	<u>\$ 1,187</u>	<u>\$ 225,045</u>	<u>\$ 4,474,447</u>	<u>\$ 6,131,088</u>	<u>\$ 6,080,474</u>

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to Financial Statements

Introduction

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

The Association's principal office is located at the Fair Grounds Racetrack in New Orleans. 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.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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.

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, 2021.

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, 2021, 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 Statutes, as explained in Note 2.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to Financial Statements

Note 2. Sources and Uses of Funds

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

Operating Funds

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

License Fee 14% - 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 Association from off-track wagering facilities. The Association uses these receipts to promote the thoroughbred breeding industry and to pay breeders' awards on thoroughbred races.

Associations 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

Louisiana Revised Statute 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)].

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to Financial Statements

Note 2. Sources and Uses of Funds (Continued)

Louisiana Champions Day Funds (Continued)

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, 2021, the Association received \$240,139 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.

Of the Associations 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 Association 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. The Association pays 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, the Association pays 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, 2021, \$1,127,304 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 Associations 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.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to Financial Statements

Note 2. Sources and Uses of Funds (Continued)

Other Races Funds (Continued)

As provided by R.S. 4:177, each racing association authorized to conduct race meets shall pay the equivalent of 10% of the winner's share of the purse of each OTB - Open Race won by an accredited Louisiana-bred horse. The Association uses these funds together with the 9.1% funds from above to pay breeders' awards to breeders of accredited Louisiana-bred horses finishing first, second, and third in OTB - Open Races at any track in Louisiana. The Association pays 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, the Association pays 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 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, 2021, \$1,029,621 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 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 Executive Committee, for special breeder awards to the breeders of accredited Louisiana-bred horses.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to Financial Statements

Note 2. Sources and Uses of Funds (Continued)

Slot Machine Funds (Continued)

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 2021, the total paid was \$400,084.

Out of state stake race awards are paid quarterly at an amount predetermined by the Board of Directors of the Association. The Association pays 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, the Association pays 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, 2021 was \$89,886.

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, 2021, \$3,788,601 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 2020, the Association pays 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 2020, the Association pays 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, 2021 the total amount paid by the Association for Stallion Awards was \$900,000.

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 R.S. 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 Association, and shall be allocated by the Association.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to Financial Statements

Note 2. Sources and Uses of Funds (Continued)

Video Draw Poker Device Purse Supplement Funds (Continued)

Two-thirds of the funds appropriated by the Association 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.

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 \$5,048 for the year ended December 31, 2021.

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 \$58,605 for the year ended December 31, 2021.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to Financial Statements

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, 2021, the Association's deposits held for futurity races are classified accordingly: \$43,850 for the 2022 futurity, in current liabilities, and \$28,230 for the 2023 futurity, in non-current liabilities.

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

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 approximately \$8.7 million include payments of breeders' awards, stallion awards, purse supplements, and the Louisiana Champions Day, and account for approximately 90% of the Association's expenditures. Approximately 10% of expenses are for supporting activities, totaling approximately \$1 million 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, 2021, the members of the Board of Directors had related-party transactions with the Association as follows:

A total of approximately \$755,097 was paid to board members during 2021 in the form of breeders' and stallion awards.

Included within accounts receivable of *Louisiana Horse Magazine* is \$7,910 that is owed by various directors as of December 31, 2021.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION

Notes to Financial Statements

Note 10. Concentration of Credit Risk

The Association maintains its cash deposits in accounts at various financial institutions which, at times during the year, may exceed the federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At December 31, 2021, these excess balances approximated \$15,016.

Note 11. Commitments

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

Note 12. Income Taxes

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

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

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

Note 13. Subsequent Events

The Association completed its subsequent events review through June 20, 2022, the date on which the financial statements were available to be issued. 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,	
	2021	2020
Revenues		
Commissions - 2%	\$ 609,443	\$ 432,616
Fees - 14%	91,561	107,916
Accrediting Fees	91,465	90,525
Publications - Louisiana Horse	69,557	68,516
State Grant	60,000	60,000
Members' Dues	46,050	49,615
Mare and Stallion Registration	25,375	24,875
Management Fee Income	-	12,133
Sponsorship (LCD)	-	1,250
Interest Income	3,072	21,502
Slot/OTB Interest Transfer	25,154	17,122
Breeders Sale	48,790	-
Miscellaneous	10,282	-
PAC Revenue	575	670
PPP Grant Income	-	94,000
	<hr/>	<hr/>
Total Revenues	1,081,324	980,740
Expenses		
Breeder's Awards	-	5,500
Purse Supplements	-	100,000
Salaries	444,747	409,905
Insurance	94,748	81,190
Research, Public Relations, and Lobbying	81,250	68,750
Publication Expense	34,741	41,622
Advertising and Promotion	58,605	60,729
Professional and General Accounting Fees	39,427	41,015
Payroll Taxes	32,868	31,096
Meetings and Banquets	17,517	21,327
Field Inspector	27,500	30,000
Computer Expense	158,776	135,166
Legal	103,608	16,567
Postage and Shipping	12,772	13,278
Office Expense	14,016	6,925
Car Allowance	15,000	15,000
Equipment Rental	10,753	7,969
Travel	15,275	6,136
Contributions	13,463	9,666
Depreciation	5,048	4,606
Trophies	9,010	10,503
Pedigree Research	7,939	6,277
Telephone Expense	6,681	6,383
Website/Internet	13,703	13,988
Scholarships	12,000	10,000
Taxes and Licenses	4,331	2,471
Election Expense	5,905	6,089
Writer and Photographer Fees	4,570	5,800
Printing	4,259	6,121
Dues and Subscriptions	2,250	2,425
Repairs and Maintenance	8,856	5,812
Loss on Disposal	2,742	-
Micellaneous	1,017	-
Bank Charges	570	1,185
	<hr/>	<hr/>
Total Expenses	1,263,947	1,183,501
(Deficit) Revenues Over Expenses	<hr/> \$ (182,623)	<hr/> \$ (202,761)

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,	
	2021	2020
Revenues		
Awards - Triple Crown Races	\$ 240,139	\$ 131,495
Nominations	-	38,100
Stallion Fees	15,210	11,300
Interest Income	328	139
	<hr/>	<hr/>
Total Revenues	255,677	181,034
	<hr/>	<hr/>
Expenses		
Purses Supplements	248,910	178,715
Bank Charges	89	39
	<hr/>	<hr/>
Total Expenses	248,999	178,754
	<hr/>	<hr/>
Excess Revenues Over Expenses	\$ 6,678	\$ 2,280
	<hr/> <hr/>	<hr/> <hr/>

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,	
	<u>2021</u>	<u>2020</u>
Revenues		
SALAM Awards - 8% and 15.1%	\$ 28,299	\$ 26,333
Total Revenues	<u>28,299</u>	<u>26,333</u>
Expenses		
Breeders' Awards	<u>1,155,333</u>	<u>797,410</u>
Total Expenses	<u>1,155,333</u>	<u>797,410</u>
(Deficit) Revenues Over Expenses	<u>\$ (1,127,034)</u>	<u>\$ (771,077)</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,	
	2021	2020
Revenues		
10% from Tracks	\$ 488,900	\$ 502,810
Awards - 9.1%	360,624	314,965
Interest Income	175	253
	849,699	818,028
Expenses		
Breeders' Awards	1,555,498	1,539,027
Purse Supplements	303,912	194,063
Interest Transfers	9	36
Bank Charges	337	389
	1,859,756	1,733,515
(Deficit) Revenues Over Expenses	\$ (1,010,057)	\$ (915,487)

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,	
	2021	2020
Revenues		
Slot Machine Proceeds - Delta Downs	\$ 3,404,604	\$ 2,556,292
Slot Machine Proceeds - Evangeline Downs	1,607,057	1,161,083
Slot Machine Proceeds - Louisiana Downs	963,187	788,661
Slot Machine Proceeds - Fair Grounds	878,642	569,924
LSRC Co-Op	700,000	700,000
Interest Income	9,054	30,352
	7,562,543	5,806,312
Expenses		
Breeders' Awards	3,788,601	2,762,843
Stallion Awards	900,000	900,000
Breeders' Awards - Out of State	400,084	400,042
Out of State Stakes Awards	89,886	69,534
Interest Transfers	20,131	19,097
Bank Charges	191	63
	5,198,893	4,151,579
Excess Revenues Over Expenses	\$ 2,363,650	\$ 1,654,733

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, 2021		Favorable (Unfavorable)
	Budget	Actual	Variance
Revenues			
Commissions - 2%	\$ 525,000	\$ 609,443	\$ 84,443
Fees - 14%	150,000	91,561	(58,439)
Publications- Louisiana Horse	85,000	68,824	(16,176)
Accrediting Fees	90,000	91,465	1,465
Members' Dues	60,000	46,050	(13,950)
State Grant	60,000	60,000	-
Mare and Stallion Registration	25,000	25,375	375
Interest and Slot/OTB Interest Transfer	80,000	28,226	(51,774)
Breeders Sale	-	48,790	48,790
Miscellaneous	-	10,282	10,282
PAC Revenue	500	575	75
Sponsorships (LCD & LA Cup Day)	5,000	-	(5,000)
	<u>1,080,500</u>	<u>1,081,324</u>	<u>824</u>
Expenses			
Salaries	450,000	444,747	5,253
Insurance	100,000	94,748	5,252
Research, Public Relations, and Lobbying	75,000	81,250	(6,250)
Advertising and Promotion	50,000	58,605	(8,605)
Computer Expense (including Website and Internet)	155,500	172,479	(16,979)
Publication Expense	45,000	34,741	10,259
Payroll Taxes	32,000	32,868	(868)
Professional and General Accounting Fees	40,000	39,427	573
Field Inspector	30,000	27,500	2,500
Meetings and Banquets	35,000	17,517	17,483
Postage and Shipping	15,000	12,772	2,228
Travel	10,000	15,275	(5,275)
Office Expense	10,000	14,016	(4,016)
Car Allowance	15,000	15,000	-
Equipment Rental	7,500	10,753	(3,253)
Telephone Expense	7,500	6,681	819
Pedigree Research	7,000	7,939	(939)
Scholarships	10,000	12,000	(2,000)
Contributions	10,000	13,463	(3,463)
Taxes and Licenses	5,000	4,331	669
Trophies	12,000	9,010	2,990
Printing	6,000	4,259	1,741
Legal	103,608	103,608	-
Election Expense	6,000	5,905	95
Writer and Photographer Fees	7,500	4,570	2,930
Depreciation	5,000	5,048	(48)
Dues and Subscriptions	2,500	2,250	250
Repairs and Maintenance	2,500	8,856	(6,356)
Bank Charges	1,200	570	630
Repository	2,600	-	2,600
Loss on Sale of Fixed Asset	-	2,742	(2,742)
Miscellaneous	-	1,017	(1,017)
	<u>1,258,408</u>	<u>1,263,947</u>	<u>(5,539)</u>
(Deficit) Revenues Over Expenses	<u>\$ (177,908)</u>	<u>\$ (182,623)</u>	<u>\$ (4,715)</u>

See independent auditor's report.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
Supplementary Information

Schedule VII
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2021

Agency Head

Roger Heitzmann, Executive Director

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

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

**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, 2021, 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 20, 2022.

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) as a basis for designing 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 financial statements. 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 20, 2022

AGREED-UPON PROCEDURES REPORT
Louisiana Thoroughbred Breeders Association

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2021 - December 31, 2021

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas found in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. Louisiana Thoroughbred Breeders Association (LTBA) management is responsible for those C/C areas found in the SAUPs.

LTBA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas found in LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

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) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology 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.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: No exceptions were found as a result of performing these procedures.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Results: No exceptions were found as a result of performing these procedures.

Bank Reconciliations

- 3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of performing these procedures.

Collections (excluding electronic funds transfers)

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Results: No exceptions were found as a result of performing these procedures.

- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

Results: No exceptions were found as a result of performing these procedures.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of performing these procedures.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: No exceptions were found as a result of performing these procedures.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe that the disbursement matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions were found as a result of performing these procedures.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: No exceptions were found as a result of performing these procedures.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: No exceptions were found as a result of performing these procedures.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of performing these procedures.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were found as a result of performing these procedures.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

- d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Results: Randomly selected one pay period, obtained leave documentation and performed procedures 17.a. through 17.d. for the 5 employees selected under #16. As there are only a few employees that are centrally located, as well as the fact that all employees are salaried, a formal time and attendance system is not used for the salaried employees. We noted that leave is tracked for all employees of the Association and approved by the Executive Director.

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

Results: No exceptions were found as a result of performing these procedures.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of performing these procedures.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Results: This is not applicable to the Association as it is a nonprofit entity.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: This is not applicable to the Association as it had no debt service transactions.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions were found as a result of performing these procedures.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: We performed the procedure and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Results: Exception noted. LaPorte selected 5 employees to test #26, 3 out of 5 employees did not complete the training during the calendar year.

27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that it includes the applicable requirements of R.S. 42:344:

- a. Number and percentage of public servants in the agency who have completed the training requirements;
- b. Number of sexual harassment complaints received by the agency;
- c. Number of complaints which resulted in a finding that sexual harassment occurred;
- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e. Amount of time it took to resolve each complaint.

Results: No exceptions were found as a result of performing these procedures.

We were engaged by the Louisiana Thoroughbred Breeders Association to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas found 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.

We are required to be independent of the Louisiana Thoroughbred Breeders Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas found in the SAUPs, 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. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



A Professional Accounting Corporation
Metairie, LA

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