
LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2015



A Professional Accounting Corporation

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LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2015

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

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Independent Auditors' Report

The Trustees
Louisiana Horsemen's Medical Benefit Trust

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana Horsemen's Medical Benefit Trust (the Trust), which comprise the statements of net assets as of December 31, 2015 and 2014, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

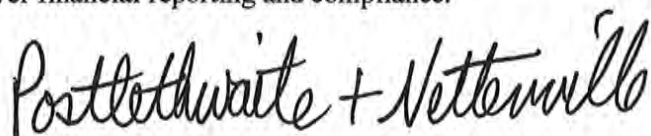
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Trust as of December 31, 2015 and 2014, and changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

We have audited the financial statements of the Trust as of and for the years ended December 31, 2015 and 2014, and our report thereon dated June 24, 2016, which expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in the Schedule of Compensation, Benefits and Other Payments to Agency Head, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in the Schedule of Compensation, Benefits and Other Payments to Agency Head, has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016, on our consideration of the Louisiana Horsemen's Medical Benefit Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Trust's internal control over financial reporting and compliance.



Metairie, Louisiana
June 24, 2016

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

STATEMENTS OF NET ASSETS
DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Assets		
Cash	\$ 3,625,458	\$ 3,631,566
Receivables		
4% Purse receivable	294,764	280,931
Due from related party - LAHBPA 1993 Inc.	73	-
Prepaid escrow reserve	25,000	15,000
Investments at fair value	446,349	440,958
Building and equipment, net	<u>178,449</u>	<u>50,306</u>
Total assets	<u>\$ 4,570,093</u>	<u>\$ 4,418,761</u>

LIABILITIES

Liabilities		
Accounts payable	\$ 48,803	\$ 1,242
Medical claims payable	283,738	229,290
Due to related party - LAHBPA 1993 Inc.	<u>2,319</u>	<u>-</u>
Total liabilities	<u>334,860</u>	<u>230,532</u>
Net assets available for benefits	<u>\$ 4,235,233</u>	<u>\$ 4,188,229</u>

See accompanying notes to financial statements.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Additions to net assets attributed to:		
Contributions		
4% medical benefits revenue	\$ 3,577,330	\$ 3,685,883
Investment and other income		
Investment income (loss)	9,860	6,733
Other income	194	-
Total additions	<u>3,587,384</u>	<u>3,692,616</u>
Reductions to net assets attributed to:		
Medical benefit payments	2,773,783	2,173,758
Administrative expenses	766,597	761,269
Total reductions	<u>3,540,380</u>	<u>2,935,027</u>
Net increase in net assets	47,004	757,589
Net assets available, beginning of year	<u>4,188,229</u>	<u>3,430,640</u>
Net assets available, end of year	<u>\$ 4,235,233</u>	<u>\$ 4,188,229</u>

See accompanying notes to financial statements.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. Nature of Activities

General

The Louisiana Horsemen's Medical Benefit Trust (the Trust) was formed to administer funds for the Louisiana Horsemen's Medical Benefit Plan. Louisiana race tracks at which horse races are held are obligated by Louisiana Revised Statute 4:183 to receive and distribute a determined amount, as specified in the statute, in order to provide for hospital and medical benefits and related administrative expenses.

The Louisiana Horsemen's Medical Benefit Plan (the Plan) was established to provide hospital and medical benefits and to pay for the administrative expenses related to providing such benefits for owners, owner/trainers, and trainers licensed to race horses in Louisiana, the employees of the owners, owner/trainers, trainers, and others.

Benefits

Except for employees of the Louisiana Horsemen's Benevolent & Protective Association 1993, Inc. (LAHBPA 1993 Inc.) who meet the eligibility requirements to receive benefits, the Trust shall not provide benefits to any employee of LAHBPA 1993, Inc. In June 2012, the State of Louisiana Legislature approved and the governor signed House Bill No. 1111 which clarified the hospital and medical benefits provided by the Trust. House Bill No. 1111 amended Louisiana Revised Statute 4:183 to define hospital and medical benefits to include but not be limited to reasonable medical surgical, hospitalization, and physical rehabilitation, and dental and optical services, death benefits, drug and alcohol counseling, and other spiritual, mental, and psychological services provided for the welfare of eligible participants in the Trust. The term "hospital and medical" benefits also includes one-time benevolence payments to persons in the equine industry who are in financial need as a result of serious illness or injury, fire, or natural disaster, including but not limited to hurricane, tornado, or flood.

Under the Plan, to be eligible for Plan benefits, an applicant must be licensed by, and in good standing with the Louisiana State Racing Commission. In addition, an applicant must enroll in the Plan and satisfy various eligibility requirements/conditions for participation. These requirements/conditions vary according to defined classifications. Also, the Plan provides financial assistance with eligible medical and hospital expenses, substance abuse counseling, and on-track chaplaincy. Reference to the Plan agreement should be made for a complete description of the eligible expenses and the dollar limit of coverage related to each eligible expense, together with conditions for assistance when a covered person has other medical and/or hospital insurance, major medical coverage, Medicare, or any other form of medical coverage.

Contributions

The Trust is funded exclusively from the statutorily dedicated funds described in Louisiana Revised Statutes 4:183, together with Revised Statute 27:361 (B)(4)(b), relative to slot machines. These funds are referred to in the financial statements as 4% Medical Benefits revenue.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Trust have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and cash equivalents

Cash equivalents are all highly-liquid investments with maturities of three months or less at date of acquisition.

Investments

The Trust's investments consist of a mutual fund that invests in a range of government and U.S. government agency securities, a certificate of deposit, and an annuity. The investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Trust's gains and losses on investments bought and sold as well as held during the year.

Building and Equipment

Building and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, between three and ten years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred, and significant renewals and betterments are capitalized.

Tax Status

The Trust is exempt from federal income taxes under Section 501 (c) (4) of the Internal Revenue Code ("IRC"). Trust management and the Trust's counsel believe that the Trust is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Trust's financial statements.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2. Significant Accounting Policies (continued)

Tax Status (continued)

The Trust applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Trust has reviewed its tax positions and determined there were no outstanding or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities. Therefore, the implementation of this standard has not had a material effect on the Trust.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions to and reduction of net assets during the reporting period. Accordingly, actual results may differ from those estimates.

3. Investments

At December 31, 2015 and 2014, investments consist of:

	<u>2015</u>	<u>2014</u>
Certificates of deposit	\$ 55,033	\$ 55,033
Mutual fund	84,711	85,051
Annuity	306,605	300,874
Total	<u>\$ 446,349</u>	<u>\$ 440,958</u>

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

4. Building and Equipment – Net

At December 31, 2015 and 2014, building and equipment consist of the following:

	<u>2015</u>		<u>2014</u>
Buildings	\$ 20,142	\$	20,142
Computers	203,007		59,301
Furniture and fixtures	12,112		12,112
Equipment	19,720		19,720
Field Office trailers	120,952		120,951
Total Cost	<u>375,933</u>		<u>232,226</u>
Less: Accumulated depreciation	<u>(197,484)</u>		<u>(181,920)</u>
Building and equipment, net	<u>\$ 178,449</u>	\$	<u>50,306</u>

Depreciation expense of \$15,564 and \$13,693 is included in administrative expenses for the years ended December 31, 2015 and 2014, respectively

5. Related Party Transactions

During the years ended December 31, 2015 and 2014, general and administrative expenses included \$718,800 for management fees to LAHBPA 1993 Inc. in accordance with the management agreement.

6. Termination of Plan

After advance consultation with the Louisiana Horsemen's Benevolent & Protective Association 1993, Inc., the Trustees may terminate the Trust. Upon that termination, the Trustees shall allocate the assets of the Trust as follows: (a) first, to pay any benefits due and owing under the Trust to the then current participants, dependents, and beneficiaries; (b) second, to pay the expenses of terminating the Trust; and (c) third, after consultation with the Louisiana Horsemen's Benevolent & Protective Association 1993, Inc., the excess shall be applied to the benefit of the then current participants, dependents, and beneficiaries. In no event, shall any assets of the Trust Fund be paid to, or inure to the benefit of the Louisiana Horsemen's Benevolent & Protective Association 1993, Inc. or any member thereof (other than through the payment of benefits in accordance with the Plan or the Agreement).

7. Risks and Uncertainties

The Trust invests in various investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term, and that such change could materially affect the amounts reported in the statements of net assets available for benefits.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

8. Concentrations

The Trust periodically maintains cash in bank accounts in excess of insured limits. The Trust has not experienced any losses and does not believe that significant credit risk exists.

Contributions received from purse and purse supplements as reported on the Statements of Changes in Net Assets Available for Benefits represent 99.72% and 99.82% of total additions to plan assets during the years ended December 31, 2015 and 2014.

9. Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements).

The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

9. Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Trust are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Trust are deemed to be actively traded.

Certificates of deposit: Valued at fair value which approximates cost.

Annuity: Valued at fair value by the insurance company by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following table sets forth by level, within the fair value hierarchy, the Trust's net assets at fair value as of December 31, 2015 and 2014.

	<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$	-	\$ 55,033	\$ -	\$ 55,033
Mutual fund		84,711	-	-	84,711
Annuity		-	-	306,605	306,605
Total	\$	<u>84,711</u>	<u>\$ 55,033</u>	<u>\$ 306,605</u>	<u>\$ 446,349</u>
	<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$	-	\$ 55,033	\$ -	\$ 55,033
Mutual fund		85,051	-	-	85,051
Annuity		-	-	300,874	300,874
Total	\$	<u>85,051</u>	<u>\$ 55,033</u>	<u>\$ 300,874</u>	<u>\$ 440,958</u>

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

9. Fair Value Measurements (continued)

The following table sets forth a summary of changes in the fair value of the Trust's Level 3 assets for the years ended December 31, 2015 and 2014.

	Level 3 Assets	
	Year Ended December 31, 2015	Year Ended December 31, 2014
	<i>Annuity</i>	<i>Annuity</i>
Balance, beginning of year	\$ 300,874	\$ -
Realized gains/(losses)	-	-
Unrealized gains/(losses) related to instruments still held at the reporting date	5,731	874
Purchases	-	300,000
Sales	-	-
Transfers in and/or out of level 3	-	-
Balance, end of year	<u>\$ 306,605</u>	<u>\$ 300,874</u>

10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 24, 2016, and determined no items require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

**SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2015**

Agency Head Name: Keith Gee, Executive Director 01/01/15 to 04/10/15

Agency Head Name: Edwin Fenasci, Executive Director 05/12/15 to 12/31/15

<u>Purpose</u>	<u>Amount</u>
Salary - Keith Gee	\$ 30,212
Salary - Ed Fenasci	66,011
Benefits - insurance - Keith Gee	2,424
Benefits - insurance - Ed Fenasci	2,519
Cell phone - Keith Gee	420
Dues	-
Vehicle rental	-
Per diem - Ed Fenasci	129
Reimbursements	-
Travel	-
Registration fees - Ed Fenasci	350
Conference travel - Ed Fenasci	1,085
Special meals - Ed Fenasci	-
Other	-

The Executive Director function is performed by an employee of LAHBPA 1993 Inc., a related party. The Louisiana Horsemen's Pension Trust does not have any employees.

See independent auditor's report.

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

The Trustees
Louisiana Horsemen's Medical Benefit Trust

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 Horsemen's Medical Benefit Trust (the Trust) which comprise the statements of net assets as of December 31, 2015 and 2014 and the statements of changes in net assets available for benefits for the years ended December 31, 2015 and 2014 and the related notes to the financial statements, and have issued our report thereon dated June 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust'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 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 Trust'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 Louisiana Horsemen's Medical Benefit Trust's financial statements are free of material misstatements, 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 Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite + Netterville

Metairie, Louisiana

June 24, 2016