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**LOUISIANA HORSEMEN'S BENEVOLENT**  
**AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**  
**NEW ORLEANS, LOUISIANA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

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**DECEMBER 31, 2016**

**LOUISIANA HORSEMEN'S BENEVOLENT  
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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries (LAHBPA 1993 Inc.) which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Horsemen's Benevolent and Protective Association 1993 Inc. as of December 31, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information on pages 19 through 23 is presented for purposes of additional analysis, and it is not a required part of the consolidated 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 consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration Louisiana Horsemen's Benevolent and Protective Association 1993 Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAHBPA 1993 Inc.'s internal control over financial reporting and compliance.

*Postlethwaite + Netterville*

Metairie, Louisiana  
June 29, 2017

**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 690,376	\$ 607,496
Claims escrow funds	162,359	162,359
Fees receivable - workers' compensation program	109,149	72,808
Accounts receivable - workers' compensation program	42,048	39,650
Premium receivable	81,674	65,945
Prepaid expenses	150,807	114,064
Restricted cash - workers' compensation program	212,299	874,553
Certificates of deposit	-	394,371
Due from related parties	831,306	3,301
Investments	-	76,483
Property and equipment, net	<u>163,206</u>	<u>181,562</u>
Total assets	<u>\$ 2,443,224</u>	<u>\$ 2,592,592</u>

**LIABILITIES AND NET ASSETS**

Liabilities		
Accounts payable and accrued expenses	\$ 130,868	\$ 96,652
Reserve for losses and loss adjustment expenses	102,093	214,624
Losses payable	51,992	164,467
Unearned premiums - workers' compensation	289,148	271,569
Due to related parties	<u>699,509</u>	<u>630,419</u>
Total liabilities	<u>1,273,610</u>	<u>1,377,731</u>
Net assets:		
Unrestricted - workers' compensation program	339,296	1,134,026
Unrestricted - LAHBPA 1993 Inc.	<u>830,318</u>	<u>80,835</u>
Total net assets	<u>1,169,614</u>	<u>1,214,861</u>
Total liabilities and net assets	<u>\$ 2,443,224</u>	<u>\$ 2,592,592</u>

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

**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDING DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Revenue and other support		
Workers' compensation premiums	\$ 262,913	\$ 204,113
Management fee income	1,523,700	1,609,200
Underwriting loss	177,121	166,724
Pony lead fees	534,555	554,850
Investment income - Horsemen's Bookkeeper	143,011	98,311
Jockey payroll and NSF fees	38,832	38,772
Investment income	2,444	2,201
Other income	<u>3,553</u>	<u>2,430</u>
Total revenue and other support	<u>2,686,129</u>	<u>2,676,601</u>
Expenses		
Workers' compensation and underwriting program expenses	223,861	584,429
Support services	<u>2,507,515</u>	<u>2,440,735</u>
Total expenses	<u>2,731,376</u>	<u>3,025,164</u>
Change in net assets	<u>(45,247)</u>	<u>(348,563)</u>
Net assets, beginning of year	<u>1,214,861</u>	<u>1,563,424</u>
Net assets, end of year	<u><u>\$ 1,169,614</u></u>	<u><u>\$ 1,214,861</u></u>

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

**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDING DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (45,247)	\$ (348,563)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	29,056	32,349
Realized and unrealized (gain) loss on investments	(733)	326
Net change in operating assets and liabilities:		
Increase in fees receivable	(36,341)	(2,610)
Decrease (increase) in accounts receivable - workers' compensation	(2,398)	2,558
Increase in premium receivable	(15,729)	(7,121)
(Increase) decrease in prepaid expenses	(36,743)	7,453
Decrease in claims escrow funds	-	1,974
Increase in accounts payable and accrued expenses	34,216	34,639
Decrease in reserve for losses and loss adjustment expenses	(112,531)	(62,945)
(Decrease) increase in losses payable	(112,475)	4,138
Increase (decrease) in unearned premiums	17,579	(20,587)
(Decrease) increase in due to/from related parties	(758,915)	258,257
Net cash used in operating activities	<u>(1,040,261)</u>	<u>(100,132)</u>
Cash flows from investing activities		
Capital expenditures	(10,700)	(9,460)
Purchases of investments	(1,984)	(1,965)
Proceeds from sale of investments	473,571	-
Net cash provided by (used in) investing activities	<u>460,887</u>	<u>(11,425)</u>
Net decrease in cash and cash equivalents	<u>(579,374)</u>	<u>(111,557)</u>
Cash and cash equivalents, beginning of year	<u>1,482,049</u>	<u>1,593,606</u>
Cash and cash equivalents, end of year	<u>\$ 902,675</u>	<u>\$ 1,482,049</u>
<b><u>Reconciliation to the consolidated statements of financial position</u></b>		
Cash and cash equivalents	\$ 690,376	\$ 607,496
Restricted cash workers' compensation program	212,299	874,553
	<u>\$ 902,675</u>	<u>\$ 1,482,049</u>

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



**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**1. Significant Accounting Policies**

**Organization**

The Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. (LAHBPA 1993 Inc.) was formed for the purpose of protecting the interest of the horse owners and trainers, particularly as it relates to their relationships with the owners and managers of race tracks. More specifically, LAHBPA 1993 Inc. operates with the express purpose "...to foster, protect, represent, and promote the welfare and common interest of thoroughbred and quarter horse owners and trainers, to improve conditions in the horse racing industry, to improve relationships between horsemen, other members of the racing industry, and the general public in the State of Louisiana..." LAHBPA 1993 Inc. mediates on behalf of individual members when problems arise with racetrack management or the State Racing Commission, negotiates fair distributions at race tracks, and monitors state and federal legislative developments in the interest of horsemen.

With amendments to Louisiana Revised Statutes (LRS) 4:251 and 252, LAHBPA 1993 Inc. formed a wholly owned subsidiary, Horsemen's Alliance Holdings, Inc. (HAH) which serves as the parent holding company for Horsemen's Insurance Alliance SPC (HIA), which was incorporated in the Cayman Islands and holds an Insurer's license, through which a workers' compensation insurance program is marketed to the members of LAHBPA 1993 Inc.

HAH, was incorporated on June 30, 2006 in the state of Louisiana, and is the parent holding company for the HIA. HIA was incorporated on June 23, 2006 in the Cayman Islands, as an exempted segregated portfolio company with limited liability and holds an Unrestricted Class "B" insurer's license, subject to the provisions of the Insurance Law (2008) of the Cayman Islands. HIA is comprised of a general portfolio which carries no risk and one segregated portfolio (Louisiana SP).

The principal business of Louisiana SP is to provide reinsurance of the workers' compensation, occupational disease and employer's liability coverage issued by National Union Fire Insurance Company of Pittsburgh and other member companies of Chartis (the "Ceding Insurer") to LAHBPA 1993 Inc. The limit of liability is \$300,000 per occurrence and \$3,040,000 in aggregate for the policy period of July 1, 2010 to July 1, 2011.

On July 13, 2011, the Horsemen's Workers' Compensation Insurance Trust (HWCIT) was formed for the purpose of directly insuring a significant portion of the insurance risks previously reinsured through HIA. HWCIT began providing insurance coverage on July 17, 2011.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**1. Significant Accounting Policies (continued)**

Organization (continued)

LAHBPA 1993 Inc. also administers a non-qualified Pension Plan and a Medical Benefit Plan with scheduled benefits for its members and their dependents. Although LAHBPA 1993 Inc. appoints the Board of Trustees for both Plans and HWCIT and shares overhead expenses, each Trust is a separate legal entity with its own funding sources and operating expenses, separate and apart from LAHBPA 1993 Inc.'s operations. LAHBPA 1993 Inc. also maintains and serves as the disbursing agent for the Horsemen's Bookkeeper Account which is the recipient of all Louisiana horse race purses for disbursement for the owners.

Principles of Consolidation

The accompanying consolidated financial statements of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries include the accounts of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc., and its wholly owned subsidiary, HAH. Also included are the accounts of the HIA, a wholly owned subsidiary of the HAH. All intercompany activities and transactions have been eliminated upon consolidation.

Basis of Accounting

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

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of LAHBPA 1993 Inc. and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations.
- *Temporarily Restricted Net Assets*- Net assets subject to donor-imposed stipulations that may or will be met, either by actions of LAHBPA 1993 Inc. and or the passage of time. At December 31, 2016 and 2015 there were no Temporarily Restricted Net Assets.
- *Permanently Restricted Net Assets* - Net assets are subject to donor-imposed stipulations that they be maintained permanently by LAHBPA 1993 Inc. Generally, the donors of these assets permit LAHBPA 1993 Inc. to use all or part of the income earned on any related investments for general or specific purposes. At December 31, 2016 and 2015 there were no Permanently Restricted Net Assets.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**1. Significant Accounting Policies (continued)**

Financial Statement Presentation (continued)

The statement of activities presents expenses of LAHBPA 1993 Inc.'s operations functionally between program services and management and general. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, LAHBPA 1993 Inc. considers all highly liquid investments, including certificates of deposit, with an initial maturity of three months or less to be cash equivalents.

Investments

Investments consist of certificates of deposit and a mutual fund. Certificates of deposit are recorded at historical cost, which approximates fair value. Mutual funds are recorded 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 securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes net realized and unrealized gains (losses) on investments bought and sold as well as held during the year.

Property and Equipment

Property and equipment are carried at cost. LAHBPA 1993 Inc.'s policy is to capitalize property and equipment over \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives (3 - 10 years) of the respective assets. When assets are retired or otherwise disposed of, the cost and the 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, significant renewals, and betterment are capitalized.

Unearned Premiums

Unearned premiums represent advance workers' compensation premiums paid excluding the non-refundable minimum deposit of \$1,000 as of December 31, 2016 and 2015.

Reinsurance premiums are recognized on a pro rata basis of the policy terms. The portion of premiums and ceding commissions that relate to future periods are deferred and recorded as unearned premiums and deferred ceding commissions.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**1. Significant Accounting Policies (continued)**

**Reserve for Losses and Loss-Adjustment Expenses**

HIA determines its reserves for losses and loss-adjustment expenses on the basis of the losses reported by loss managers. Losses incurred but not reported are provided for on the basis of the advice of an independent actuary.

The reserve for losses and loss-adjustment expenses represents management's best estimate of the ultimate settlement costs of all losses and loss-adjustment expenses and are subject to the impact of further changes in loss severity, frequency and other factors. Management believes that amounts are adequate and recognizes the variability inherent in the data used in determining the liability, however, the absence of sufficient historical loss experience to support the assumptions inherent in establishing the estimate results in uncertainty as to the amount which will ultimately be required for the settlement of losses and loss expenses, and the differences could be material. The estimate is continuously reviewed, and as adjustments to the liability become necessary, they are reflected in current operations.

**Revenue and Other Support**

LAHBPA 1993 Inc. is funded by the statutorily dedicated funds described in the Louisiana Revised Statute (La R.S) 4:251 through 252, relative to workers' compensation insurance coverage. These funds are referred to in the financial statements as 2% Workers' Compensation Revenue. Pursuant to La R.S. 4:252 (c)(5), LAHBPA 1993 Inc. receives 2% of all purses and purse supplements available for purses for any race meets in Louisiana. These funds are placed in a Reserve Fund and the total sum of such revenues used is limited by State Statute. As of August 15, 2008, these funds shall be utilized without the limitation and conditions previously established, however, some are specifically limited to no more than 2% of the total amount of purses and purse supplements available for purses for any race meet. Of the 2% Workers' Compensation Revenue, LAHBPA 1993 Inc. may utilize up to one-half of the authorized two percent for the improvement and administration of the Louisiana Horsemen's Pension Trust. Prior to June 1, 2016, distribution provides one percent to HWCIT and one percent to the Pension Trust. Effective June 1, 2016, the adjusted distribution approved by the Board of Directors of LAHBPA 1993 Inc. provides one and a half percent dedicated to HWCIT and one half percent to the Pension Trust through May 31, 2017. Effective June 1, 2017, the adjusted distribution approved by the Board of Directors of LAHBPA 1993 Inc. provides one percent to HWCIT and one percent to the Pension Trust.

The Workers' Compensation Insurance Program also generates premium revenue for LAHBPA 1993 Inc. Members of LAHBPA 1993 Inc. are charged a premium based on either the number of race starts or per payroll level if the member is a non-racing farm. Effective July 17, 2011 premium revenue earned for coverage provided by HWCIT is recorded as revenue in HWCIT.

LAHBPA 1993 Inc. is also funded by the investment income earned on deposits maintained in the Horsemen's Bookkeeper Account.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**1. Significant Accounting Policies (continued)**

Income Taxes

LAHBPA 1993 Inc. is a nonprofit organization exempt from income taxes under provisions of the Internal Revenue Service Code Sections 501(c)(6), respectively, and the La R.S.; therefore, no provision has been made for federal and state income taxes.

LAHBPA 1993 Inc. 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% percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, LAHBPA 1993 Inc. 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 LAHBPA 1993 Inc.

HIA is not subject to taxes on income or gains under Section 6 of the Cayman Islands Tax Concessions Law (Revised). Therefore, no provision for taxes has been made in these financial statements. HIA intends to conduct its activities so as not to be subject to taxation in any other jurisdiction. As a result of the above matters, no tax liability or expense has been recognized in the consolidated financial statements.

Pony Lead Fees

Pony lead fee (administrative fee) revenue is paid by each owner and is earned based on each start. The fee of \$16 per start and divided as follows: \$0.90 to Horsemen's Alliance, \$0.10 to Pension, and \$15 to 1993 Inc. for administrative expenses. Effective June 1, 2017, the fee was approved by the Board of Directors of LAHBPA 1993 Inc. and raised to \$20 and divided as follows: \$0.90 to Horsemen's Alliance, \$0.10 to Pension, and \$19 to 1993 Inc. for administrative expenses.

Contributed Services

A portion of LAHBPA 1993 Inc.'s functions are conducted by unpaid volunteer officers and committee members. The value of this contributed time is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**1. Significant Accounting Policies (continued)**

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. Investments**

Investments are stated at fair value and consisted of the following at December 31, 2016 and 2015.

	Cost	Fair Value	Unrealized gain
December 31, 2016			
Mutual Fund	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Cost	Fair Value	Unrealized gain
December 31, 2015			
Mutual Fund	\$ 73,113	\$ 76,483	\$ 3,370
	<u>\$ 73,113</u>	<u>\$ 76,483</u>	<u>\$ 3,370</u>

The unrealized gain for the year ended December 31, 2015 is included within investment income on the Consolidated Statements of Activities.

Claims Escrow Funds

At December 31, 2016 and 2015, the claims escrow funds were held by Chartis and are held for payment of claims.



**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**3. Property and Equipment**

The following is a summary of the major classes of property and equipment and the related depreciation at December 31.

	<u>2016</u>	<u>2015</u>
Land	\$ 110,000	\$ 110,000
Building	685,760	685,760
Building improvements	369,808	369,808
Furniture and fixtures	185,487	185,487
Computers	101,694	101,694
Equipment	168,367	168,367
Field office trailers	<u>235,212</u>	<u>224,512</u>
Total	1,856,328	1,845,628
Less: accumulated depreciation	<u>(1,693,122)</u>	<u>(1,664,066)</u>
Property and equipment, net	<u><u>\$ 163,206</u></u>	<u><u>\$ 181,562</u></u>

Depreciation expense totaled \$29,056 and \$32,349 for the years ended December 31, 2016 and 2015 respectively.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**4. Reserve for Losses and Loss-Adjustment Expenses**

Reserve for losses consists of the following at December 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Reported claims	\$ 71,722	\$ 127,526
Incurred but not reported and adverse development	<u>30,371</u>	<u>87,098</u>
	<u>\$ 102,093</u>	<u>\$ 214,624</u>

Movement in the reserve for losses and loss-adjustment expenses for all policies is summarized as follows:

	<u>2016</u>		<u>2015</u>	
	General Portfolio	Segregated Portfolio	General Portfolio	Segregated Portfolio
Balance – beginning of year	\$ -	\$ 214,624	\$ -	\$ 277,569
Incurred related to:				
Current year	-	-	-	-
Prior years	-	(47,885)	-	277,256
	-	(47,885)	-	277,256
Paid related to:				
Current year	-	-	-	-
Prior years	-	(64,646)	-	(340,201)
	-	(64,646)	-	(340,201)
Balance – end of year	<u>\$ -</u>	<u>\$ 102,093</u>	<u>\$ -</u>	<u>\$ 214,624</u>

As described in Note 1, HIA ceased writing new business and insuring risks as of July 16, 2011. Incurred losses resulting from claims related to insured events for prior years were adjusted during the years ended December 31, 2016 and 2015 due to changes in estimates of the ultimate settlement costs of such losses.

HIA engaged independent consulting actuaries to advise on the necessary level of the reserve for losses and loss-adjustment expenses. At December 31, 2016 and 2015, the estimated outstanding losses for all policy years on an undiscounted basis were \$102,093 and \$214,624, respectively, at an expected confidence level. As the number of open claims continues to reduce, there may continue to be more variability in the overall reserve setting process.



**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**4. Reserve for Losses and Loss-Adjustment Expenses (continued)**

In the opinion of the Directors, these provisions are adequate to cover the estimated ultimate liability for the losses and loss-adjustment expenses at the balance sheet date. Consistent with most organizations with similar insurance operations, HIA's reserve for losses and loss-adjustment expenses is ultimately based on management's reasonable expectations of the future events. It is reasonably possible that the expectations associated with these amounts could change in the near term (i.e. within one year) and that the effect of such changes could be material to the financial statements. LAHBPA 1993 Inc. and HIA do not discount the reserves for losses and loss-adjustment expenses.

**5. Related Party Transactions**

LAHBPA 1993, Inc. shares certain overhead costs with the Louisiana Horsemen's Medical Benefit Trust (Medical Benefit Trust), the Louisiana Horsemen's Pension Trust (Pension), and the Horsemen's Workers Compensation Insurance Trust (HWCIT), affiliates of LAHBPA 1993 Inc. Balances due to and from LAHBPA 1993 Inc. (including its subsidiaries) at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Due from Horsemen's Alliance	\$ 250	\$ 250
Due from Charitable Foundation	733	732
Due from 1993, Inc. Bookkeeper	830,323	-
Due from Medical Benefit Trust	-	2,319
Due from related party - 1993 Inc., net	<u>\$ 831,306</u>	<u>\$ 3,301</u>
	<u>2016</u>	<u>2015</u>
Due to Horsemen's Workers' Compensation Insurance Trust	\$ 697,009	\$ 627,919
Due to Worker's Compensation reserve fund	2,500	2,500
Due to related party - 1993 Inc., net	<u>\$ 699,509</u>	<u>\$ 630,419</u>

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**5. Related Party Transactions (continued)**

The amount due to the affiliated entities on behalf of LAHBPA 1993 Inc. was \$702,195 and \$630,419 at December 31, 2016 and 2015, respectively. The balance due to related parties are non-interest bearing and are unsecured. The balances due to HWCIT of \$697,009 and \$627,919 in 2016 and 2015, respectively, represent the worker's compensation premiums and 1.5% purse funding collected by LAHBPA 1993 Inc. in excess of insurance related and administrative expenses incurred for HWCIT for the years ended December 31, 2016 and 2015. As described in Note 1, the purpose of HWCIT is to provide benefits for certain workers in the horse racing industry and members of LAHBPA 1993 Inc. HWCIT's viability is dependent on LAHBPA 1993 Inc. for funding any cash flow needs and any deficits incurred by HWCIT.

During the years ended December 31, 2016 and 2015, LAHBPA 1993 Inc. earned management fees totaling \$1,523,700 and \$1,609,200 from the Medical Benefit Trust, Pension, and HWCIT, respectively.

**6. Horsemen's Bookkeeper Account**

At each race meeting conducted in the State of Louisiana, there shall be a bookkeeper for the collection, disbursement, and investment of monies belonging to horsemen licensed and racing at such a race meeting, who shall be known as the Horsemen's Bookkeeper. The Horsemen's Bookkeeper shall be bonded, selected, and employed by LAHBPA 1993 Inc.

Except for interest earned on the investment of monies in the Horsemen's Bookkeeper Account, and that portion of a pony lead fee as authorized and assessed by LAHBPA 1993 Inc. to provide retirement benefits and to pay the administrative and operating costs of LAHBPA 1993 Inc., withdrawals are limited to monies due horsemen with regard to daily purses, jockey fees, stakes, handicaps, rewards, claims, deposits, monies if any for horsemen's medical and hospital benefit programs, and pony lead fees.

**7. Commitments and Contingencies**

*Insurance Management Agreement*

HIA has an appointed insurance manager located in Grand Cayman. HIA's management agreement with the insurance manager stipulates the terms and conditions under which the insurance manager is to conduct business on behalf of HIA. HIA is committed to pay the insurance manager an annual fee for services. HIA pays the insurance manager a yearly management fee of \$35,000.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**7. Commitments and Contingencies (continued)**

*Letters of Credit*

Letters of credit of \$1,135,097 as of December 31, 2016 and 2015, have been issued by HIA's banker in favor of the Ceding insurer to secure HIA's liabilities under the reinsurance assumed. The letters of credit are secured by a guarantee from LAHBPA 1993 Inc.

A standby irrevocable letter of credit in the amount of \$300,000 was pledged by LAHBPA 1993 Inc. on behalf of HAH to cover HAH's capital requirement. The letter of credit was retired in June 2013. At December 31, 2016 and 2015, standby irrevocable letters of credit in the amounts of \$0 and \$383,000 are pledged by HAH on behalf of HIA, respectively. The letters of credit were released on September 15, 2016.

**8. Concentration of Credit Risk**

LAHBPA 1993 Inc. receives virtually all of its support as a result of the horse racing industry. Management fee income earned from related entities (See Note 5) represents approximately 56% and 66% of its total revenues earned during the years ended December 31, 2016 and 2015. Management does not foresee any unfavorable impact as a result of these concentrations.

Investments represent a portion of the assets of LAHBPA 1993 Inc. Such investments are subject to interest and other risks. Future changes in the financial markets could affect the value of the assets and future earnings of LAHBPA 1993 Inc.

In the normal course of its business, HIA purchases various financial instruments which may result in credit risks, the amount of which is not apparent from the financial statements.

Credit risk is the risk of counterparty default. Financial assets which potentially expose LAHBPA and HIA to credit risk mainly consist of cash and cash equivalents and the claims escrow fund. Cash and cash equivalents are held at substantial financial institutions located in the United States and the Cayman Islands. LAHBPA 1993 Inc. does not anticipate any material losses as a result of these concentrations.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**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.

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

*Mutual Funds (Level 1):* Valued at the closing price reported on the active market on which the individual securities are traded.

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 LAHBPA 1993 Inc. 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.

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**9. Fair Value Measurements (continued)**

LAHBPA 1993 Inc. did not hold assets measured at fair value at December 31, 2016.

The valuation of LAHBPA 1993 Inc.'s assets that are measured at fair value on a recurring basis at December 31, 2015 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 76,483	\$ -	\$ -	\$ 76,483
	<u>\$ 76,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,483</u>

**10. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2017, and determined that the following item required disclosure.

Effective June 1, 2017, the 2% of all purses and purse supplements adjusted distribution was approved by the Board of Directors of LAHBPA 1993 Inc. and it provides one percent to HWCIT and one percent to the Pension Trust.

Effective June 1, 2017, the pony lead fee (administrative fee) was approved by the Board of Directors of LAHBPA 1993 Inc. and raised to \$20 and divided as follows: \$0.90 to Horsemen's Alliance, \$0.10 to Pension, and \$19 to 1993 Inc. for administrative expenses.

No events after this date have been evaluated for inclusion in these consolidated financial statements.

**SUPPLEMENTAL INFORMATION**

**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

(Continued)

	1993, Inc.	HAH	HIA	Eliminating Entries	2016
<b>Assets</b>					
Cash and cash equivalents	\$ 490,400	\$ 199,976	\$ -	\$ -	\$ 690,376
Claims escrow funds	-	-	162,359	-	162,359
Fees receivable - workers' compensation program	109,149	-	-	-	109,149
Accounts receivable - workers' compensation premiums	42,048	-	-	-	42,048
Premium receivable	81,674	-	-	-	81,674
Prepaid expenses	133,063	-	17,744	-	150,807
Restricted cash - workers' compensation program	67,933	-	144,366	-	212,299
Certificates of deposit	-	-	-	-	-
Due from related parties	851,463	-	-	(20,157)	831,306
Investment in subsidiary	321,703	141,884	-	(463,587)	-
Property and equipment, net	163,206	-	-	-	163,206
<b>Total assets</b>	<b>\$ 2,260,639</b>	<b>\$ 341,860</b>	<b>\$ 324,469</b>	<b>\$ (483,744)</b>	<b>\$ 2,443,224</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 102,368	\$ -	\$ 28,500	\$ -	\$ 130,868
Reserve for losses and loss adjustment expenses	-	-	102,093	-	102,093
Losses payable	-	-	51,992	-	51,992
Unearned premiums - workers' compensation	289,148	-	-	-	289,148
Due to related parties	699,509	20,157	-	(20,157)	699,509
<b>Total liabilities</b>	<b>1,091,025</b>	<b>20,157</b>	<b>182,585</b>	<b>(20,157)</b>	<b>1,273,610</b>
<b>Net assets</b>					
Unrestricted	1,169,614	-	-	-	1,169,614
Retained earnings (accumulated deficit)	-	(168,008)	(2,080,550)	2,248,558	-
Additional paid-in capital	-	489,711	2,220,434	(2,710,145)	-
Common stock	-	-	2,000	(2,000)	-
<b>Total net assets</b>	<b>1,169,614</b>	<b>321,703</b>	<b>141,884</b>	<b>(463,587)</b>	<b>1,169,614</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,260,639</b>	<b>\$ 341,860</b>	<b>\$ 324,469</b>	<b>\$ (483,744)</b>	<b>\$ 2,443,224</b>

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**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

	1993, Inc.	HAH	HIA	Eliminating Entries	2015
<b>Assets</b>					
Cash and cash equivalents	\$ 594,882	\$ 12,614	\$ -	\$ -	\$ 607,496
Claims escrow funds	-	-	162,359	-	162,359
Fees receivable - workers' compensation program	72,808	-	-	-	72,808
Accounts receivable - workers' compensation premiums	39,650	-	-	-	39,650
Premium receivable	65,945	-	-	-	65,945
Prepaid expenses	114,064	-	-	-	114,064
Restricted cash - workers' compensation program	738,283	-	136,270	-	874,553
Certificates of deposit	-	394,371	-	-	394,371
Due from related parties	23,458	-	-	(20,157)	3,301
Investments	76,483	-	-	-	76,483
Investment in subsidiary	290,366	(96,462)	-	(193,904)	-
Property and equipment, net	181,562	-	-	-	181,562
<b>Total assets</b>	<b>\$ 2,197,501</b>	<b>\$ 310,523</b>	<b>\$ 298,629</b>	<b>\$ (214,061)</b>	<b>\$ 2,592,592</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 80,652	\$ -	\$ 16,000	\$ -	\$ 96,652
Reserve for losses and loss adjustment expenses	-	-	214,624	-	214,624
Losses payable	-	-	164,467	-	164,467
Unearned premiums - workers' compensation	271,569	-	-	-	271,569
Due to related parties	630,419	20,157	-	(20,157)	630,419
<b>Total liabilities</b>	<b>982,640</b>	<b>20,157</b>	<b>395,091</b>	<b>(20,157)</b>	<b>1,377,731</b>
<b>Net assets</b>					
Unrestricted	1,214,861	-	-	-	1,214,861
Retained earnings (accumulated deficit)	-	(309,634)	(2,218,896)	2,528,530	-
Additional paid-in capital	-	600,000	2,120,434	(2,720,434)	-
Common stock	-	-	2,000	(2,000)	-
<b>Total net assets</b>	<b>1,214,861</b>	<b>290,366</b>	<b>(96,462)</b>	<b>(193,904)</b>	<b>1,214,861</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,197,501</b>	<b>\$ 310,523</b>	<b>\$ 298,629</b>	<b>\$ (214,061)</b>	<b>\$ 2,592,592</b>

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**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDING DECEMBER 31, 2016 AND 2015**

(Continued)

	1993 Inc.	HAH	HIA	Eliminations	2016
Revenue and other support					
Workers' compensation premiums	\$ 215,028	\$ -	\$ 47,885	\$ -	\$ 262,913
Management fee income	1,523,700	-	-	-	1,523,700
Underwriting income	-	-	177,121	-	177,121
Pony lead fees	534,555	-	-	-	534,555
Investment income - Horsemen's Bookkeeper	139,642	3,369	-	-	143,011
Jockey payroll and NSF fees	38,832	-	-	-	38,832
Investment return	2,398	-	46	-	2,444
Other income	3,553	-	-	-	3,553
Equity on gain of subsidiary	141,626	138,346	-	(279,972)	-
Total revenue and other support	2,599,334	141,715	225,052	(279,972)	2,686,129
Expenses					
Workers' compensation program	223,861	-	-	-	223,861
Support services	2,420,720	89	86,706	-	2,507,515
Total expenses	2,644,581	89	86,706	-	2,731,376
Change in net assets	(45,247)	141,626	138,346	(279,972)	(45,247)
Net assets, beginning of year	1,214,861	290,366	(96,462)	(193,904)	1,214,861
Net asset contributions (distributions), net	-	(110,289)	100,000	10,289	-
Net assets, end of year	\$ 1,169,614	\$ 321,703	\$ 141,884	\$ (463,587)	\$ 1,169,614

See accompanying independent auditors' report.

**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

(Continued)

	1993, Inc.	HAH	HIA	Eliminating Entries	2016
<b>Assets</b>					
Cash and cash equivalents	\$ 490,400	\$ 199,976	\$ -	\$ -	\$ 690,376
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Accounts receivable - workers' compensation premiums	42,048	-	-	-	42,048
Premium receivable	81,674	-	-	-	81,674
Prepaid expenses	133,063	-	17,744	-	150,807
Restricted cash - workers' compensation program	67,933	-	144,366	-	212,299
Certificates of deposit	-	-	-	-	-
Due from related parties	851,463	-	-	(20,157)	831,306
Investment in subsidiary	321,703	141,884	-	(463,587)	-
Property and equipment, net	163,206	-	-	-	163,206
<b>Total assets</b>	<b>\$ 2,260,639</b>	<b>\$ 341,860</b>	<b>\$ 324,469</b>	<b>\$ (483,744)</b>	<b>\$ 2,443,224</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 102,368	\$ -	\$ 28,500	\$ -	\$ 130,868
Reserve for losses and loss adjustment expenses	-	-	102,093	-	102,093
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Unearned premiums - workers' compensation	289,148	-	-	-	289,148
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<b>Total liabilities</b>	<b>1,091,025</b>	<b>20,157</b>	<b>182,585</b>	<b>(20,157)</b>	<b>1,273,610</b>
<b>Net assets</b>					
Unrestricted	1,169,614	-	-	-	1,169,614
Retained earnings (accumulated deficit)	-	(168,008)	(2,080,550)	2,248,558	-
Additional paid-in capital	-	489,711	2,220,434	(2,710,145)	-
Common stock	-	-	2,000	(2,000)	-
<b>Total net assets</b>	<b>1,169,614</b>	<b>321,703</b>	<b>141,884</b>	<b>(463,587)</b>	<b>1,169,614</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,260,639</b>	<b>\$ 341,860</b>	<b>\$ 324,469</b>	<b>\$ (483,744)</b>	<b>\$ 2,443,224</b>

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**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

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Accounts receivable - workers' compensation premiums	39,650	-	-	-	39,650
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Investments	76,483	-	-	-	76,483
Investment in subsidiary	290,366	(96,462)	-	(193,904)	-
Property and equipment, net	181,562	-	-	-	181,562
<b>Total assets</b>	<b>\$ 2,197,501</b>	<b>\$ 310,523</b>	<b>\$ 298,629</b>	<b>\$ (214,061)</b>	<b>\$ 2,592,592</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 80,652	\$ -	\$ 16,000	\$ -	\$ 96,652
Reserve for losses and loss adjustment expenses	-	-	214,624	-	214,624
Losses payable	-	-	164,467	-	164,467
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<b>Net assets</b>					
Unrestricted	1,214,861	-	-	-	1,214,861
Retained earnings (accumulated deficit)	-	(309,634)	(2,218,896)	2,528,530	-
Additional paid-in capital	-	600,000	2,120,434	(2,720,434)	-
Common stock	-	-	2,000	(2,000)	-
<b>Total net assets</b>	<b>1,214,861</b>	<b>290,366</b>	<b>(96,462)</b>	<b>(193,904)</b>	<b>1,214,861</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,197,501</b>	<b>\$ 310,523</b>	<b>\$ 298,629</b>	<b>\$ (214,061)</b>	<b>\$ 2,592,592</b>

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**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDING DECEMBER 31, 2016 AND 2015**

(Continued)

	1993 Inc.	HAH	HIA	Eliminations	2016
Revenue and other support					
Workers' compensation premiums	\$ 215,028	\$ -	\$ 47,885	\$ -	\$ 262,913
Management fee income	1,523,700	-	-	-	1,523,700
Underwriting income	-	-	177,121	-	177,121
Pony lead fees	534,555	-	-	-	534,555
Investment income - Horsemen's Bookkeeper	139,642	3,369	-	-	143,011
Jockey payroll and NSF fees	38,832	-	-	-	38,832
Investment return	2,398	-	46	-	2,444
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Total revenue and other support	2,599,334	141,715	225,052	(279,972)	2,686,129
Expenses					
Workers' compensation program	223,861	-	-	-	223,861
Support services	2,420,720	89	86,706	-	2,507,515
Total expenses	2,644,581	89	86,706	-	2,731,376
Change in net assets	(45,247)	141,626	138,346	(279,972)	(45,247)
Net assets, beginning of year	1,214,861	290,366	(96,462)	(193,904)	1,214,861
Net asset contributions (distributions), net	-	(110,289)	100,000	10,289	-
Net assets, end of year	\$ 1,169,614	\$ 321,703	\$ 141,884	\$ (463,587)	\$ 1,169,614

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**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
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**CONSOLIDATING STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDING DECEMBER 31, 2016 AND 2015**

	1993 Inc.	HAH	HIA	Eliminations	2015
Revenue and other support					
Workers' compensation premiums	\$ 204,113	\$ -	\$ -	\$ -	\$ 204,113
Management fee income	1,609,200	-	-	-	1,609,200
Underwriting loss	-	-	166,724	-	166,724
Pony lead fees	554,850	-	-	-	554,850
Investment income - Horsemen's Bookkeeper	96,346	1,965	-	-	98,311
Jockey payroll and NSF fees	38,772	-	-	-	38,772
Investment return	2,150	-	51	-	2,201
Other income	2,430	-	-	-	2,430
Equity on gain of subsidiary	(216,897)	(214,560)	-	431,457	-
Total revenue and other support	2,290,964	(212,595)	166,775	431,457	2,676,601
Expenses					
Workers' compensation program	307,173	-	277,256	-	584,429
Support services	2,332,354	4,302	104,079	-	2,440,735
Total expenses	2,639,527	4,302	381,335	-	3,025,164
Change in net assets	(348,563)	(216,897)	(214,560)	431,457	(348,563)
Net assets, beginning of year	1,563,424	382,263	(6,902)	(375,361)	1,563,424
Net asset contributions	-	125,000	125,000	(250,000)	-
Net assets, end of year	\$ 1,214,861	\$ 290,366	\$ (96,462)	\$ (193,904)	\$ 1,214,861

See accompanying independent auditors' report.

**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDING DECEMBER 31, 2016 AND 2015**

	1993 Inc.	HAH	HIA	Eliminations	2015
Revenue and other support					
Workers' compensation premiums	\$ 204,113	\$ -	\$ -	\$ -	\$ 204,113
Management fee income	1,609,200	-	-	-	1,609,200
Underwriting loss	-	-	166,724	-	166,724
Pony lead fees	554,850	-	-	-	554,850
Investment income - Horsemen's Bookkeeper	96,346	1,965	-	-	98,311
Jockey payroll and NSF fees	38,772	-	-	-	38,772
Investment return	2,150	-	51	-	2,201
Other income	2,430	-	-	-	2,430
Equity on gain of subsidiary	(216,897)	(214,560)	-	431,457	-
Total revenue and other support	2,290,964	(212,595)	166,775	431,457	2,676,601
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Workers' compensation program	307,173	-	277,256	-	584,429
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Total expenses	2,639,527	4,302	381,335	-	3,025,164
Change in net assets	(348,563)	(216,897)	(214,560)	431,457	(348,563)
Net assets, beginning of year	1,563,424	382,263	(6,902)	(375,361)	1,563,424
Net asset contributions	-	125,000	125,000	(250,000)	-
Net assets, end of year	\$ 1,214,861	\$ 290,366	\$ (96,462)	\$ (193,904)	\$ 1,214,861

See accompanying independent auditors' report.

**LOUISIANA HORSEMEN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION 1993, INC.  
AND SUBSIDIARIES**

**SCHEDULE OF COMPENSATION, BENEFITS,  
AND OTHER PAYMENTS TO AGENCY HEAD  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Agency Head Name: Edwin Fenasci, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 109,825
Benefits - insurance	5,544
Per diem	170
Registration fees	942
Conference travel	2,818

Note: The Executive Director of LAHBPA 1993, Inc. is the individual responsible for and monitors all activities of the LAHBPA 1993, Inc., its subsidiaries and its related organizations. This schedule reflects the compensation, benefits and other payments made to the Executive Director by LAHBPA 1993, Inc.

See independent auditors' 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**

Board of Directors

Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.

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 consolidated financial statements of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries (LAHBPA 1993 Inc) which comprise the consolidated statements of financial position for the years ended December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated June 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries' 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 Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of LAHBPA 1993 Inc.'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 Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries' consolidated 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 Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LAHBPA 1993 Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose

*Postlethwaite + Nettville*

Metairie, Louisiana  
June 29, 2017

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.**  
**AND SUBSIDIARIES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**DECEMBER 31, 2016**

**A. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unmodified

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   None reported
- Significant deficiencies identified that are
- not considered to be material weaknesses \_\_\_\_\_ Yes   X   None reported

Material noncompliance to financial statements? \_\_\_\_\_ Yes   X   None reported

**B. Basic Financial Statements, Findings, and Responses**

None