

---

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

**FINANCIAL STATEMENTS**

**MARCH 31, 2018**

---



Postlethwaite & Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

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

**FINANCIAL STATEMENTS**

**MARCH 31, 2018**

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

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b><u>INDEPENDENT AUDITORS' REPORT</u></b>	1
<b><u>FINANCIAL STATEMENTS</u></b>	
Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis	3
Statements of Receipts and Disbursements – Modified Cash Basis	4
<b><u>NOTES TO FINANCIAL STATEMENTS</u></b>	5
<b><u>SUPPLEMENTAL INFORMATION</u></b>	
Schedule of Compensation, Benefits, and Other Payments to Agency Head	10
<b><u>INDEPENDENT AUDITORS' 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</u></b>	11

## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the Horsemen's Bookkeeper Account of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. (the Bookkeeper Account), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of March 31, 2018 and 2017, and the related statements of receipts and disbursements – modified cash basis for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **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 audit 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 auditors' judgment, including the assessment of the risk 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 Bookkeeper Account'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Horsemen's Bookkeeper Account of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. as of March 31, 2018 and 2017, and the receipts and disbursements for the years then ended in conformity with the modified cash basis described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements. The supplemental information on page 10 is presented for purposes of additional analysis, and it is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the Bookkeeper Account'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 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 Bookkeeper Account's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Metairie, Louisiana  
September 28, 2018

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

**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS  
MARCH 31, 2018 AND 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents (Note 1)	\$ 18,478,654	\$ 15,774,096
Investments (Note 4)	9,720,009	9,600,779
Accrued interest receivable	24,194	20,618
Due from others	<u>88,756</u>	<u>21,902</u>
Total assets	<u>\$ 28,311,613</u>	<u>\$ 25,417,395</u>

**LIABILITIES AND NET ASSETS**

Liabilities		
Due to horsemen	\$ 27,818,516	\$ 25,008,469
Due to jockeys and employees	274,655	119,327
Due to others	25,070	165,660
Due to related parties	<u>193,372</u>	<u>123,939</u>
Total liabilities	<u>28,311,613</u>	<u>25,417,395</u>
Net assets:		
Total net assets	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 28,311,613</u>	<u>\$ 25,417,395</u>

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

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

**STATEMENTS OF RECEIPTS AND DISBURSEMENTS - MODIFIED CASH BASIS  
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Due to horsemen, beginning of the year	\$ 25,008,469	\$ 24,343,116
Cash receipts		
Purses	87,600,055	84,138,026
Owner/trainer/jockey deposits	11,246,103	10,924,549
Investment income	182,768	163,575
Total cash receipts	<u>99,028,926</u>	<u>95,226,150</u>
Cash disbursements		
Owner/trainer distributions	83,833,712	82,830,870
Jockey payroll/jockey guild	8,223,439	8,129,985
LAHBPA - workers' compensation fees	1,741,993	1,461,042
2% Commissions - LTBA/LQHBA breeder awards	930,150	1,001,697
Sales taxes	556,752	402,375
LAHBPA - pony lead fees - 1993, Inc.	628,403	478,965
LAHBPA - investment income transfer to 1993, Inc.	168,273	144,889
Miscellaneous transfer to 1993, Inc.	1,846	-
Bank charges	37,882	46,897
LAHBPA - jockey payroll administrative fee - 1993, Inc.	61,548	32,145
Horsemen's Alliance (PAC)	31,393	28,739
LAHBPA - pony lead fees - Pension Trust	3,488	3,193
Total cash disbursements	<u>96,218,879</u>	<u>94,560,797</u>
Cash receipts in excess of cash disbursements	<u>2,810,047</u>	<u>665,353</u>
Due to horsemen, end of the year	<u>\$ 27,818,516</u>	<u>\$ 25,008,469</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2018 AND 2017**

**1. Summary of Significant Accounting Policies**

Organization and Operations

The Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. (1993 Inc.) is a non-profit organization which has been recognized as the authorized representative that shall represent members and other horsemen racing at licensed race meetings held in the State of Louisiana for the purpose of, but not limited to, negotiating contracts for such horsemen with all racing associations licensed by the State of Louisiana relative to purses, hospitalization, medical benefits, conditions, and all other matters of interest and concern to such horsemen.

At each race meeting conducted in the State of Louisiana pursuant to the provisions of the Louisiana State Racing Commission, there shall be a bookkeeper for the collection, disbursement, and investment of monies belonging to horsemen licensed at such a race meeting that shall be known as the Horsemen's Bookkeeper. The Horsemen's Bookkeeper shall be bonded, selected, and employed by the authorized representative of horsemen racing in the State of Louisiana, the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.

Each association conducting a race meeting shall provide a separate office for the Horsemen's Bookkeeper who shall collectively keep a separate bank account for the horsemen's monies to be known as the "Horsemen's Bookkeeper Account". At all times the Horsemen's Bookkeeper Account shall have on deposit funds sufficient to cover all 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 any pony lead fees.

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 the representative of horsemen in the state to provide retirement benefits to horsemen and to pay its administrative and operating costs, withdrawals from the account shall be used only for those purposes provided in the above paragraph. The interest earned on the investment of monies in the Horsemen's Bookkeeper Account and that portion of a pony lead fee as provided for above shall be collected by the Horsemen's Bookkeeper and paid, in due course, to the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.

After first paying the expenses and other charges necessary to operate the offices of the Horsemen's Bookkeeper, the interest earned on the investment of monies in the Horsemen's Bookkeeper Account by the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. shall be used by it for the benefit of horsemen racing in the state.



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

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2018 AND 2017**

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

Organization and Operations (continued)

The Bookkeeper Account shall at all times be subject to audit by the Louisiana Legislative Auditor or by a certified public accountant approved by the Louisiana Legislative Auditor, the expenses of such audit to be paid by the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modifications to the cash basis of accounting relate primarily to accruals of interest income and the fair value of investments.

Basis of Presentation

The Bookkeeper Account reports information regarding its assets, liabilities, net assets, cash receipts, and cash disbursements according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Due to the nature of the Bookkeeper Account's operations, all assets held by the Bookkeeper Account are due to other parties; accordingly, net assets are expected to be zero.

Cash and Cash Equivalents

For reporting purposes, the Horsemen's Bookkeeper Account considers all highly liquid debt instruments with maturity of three months or less to be considered cash equivalents. Included in cash and cash equivalents at March 31, 2018 and 2017 are money market funds of \$148,913 and \$341,521, respectively.

Investments

The Bookkeeper Account's investments consist of certificates of deposit ranging in original maturity from one year to seven years and government agency securities. Certificates of deposit and government agency securities are recorded at fair value in the statements of assets, liabilities, and net assets – modified cash basis. Dividend, interest, and other investment income are recorded as investment income on the statements of receipts and disbursements.

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

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2018 AND 2017**

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

Use of Estimates

In preparing the financial statements, management has made certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The Bookkeeper Account is a separate account maintained in Louisiana Horsemen's Benevolent and Protective Association, 1993, Inc. and does not file a separate tax return. Accordingly, no provision for income taxes has been reflected in the Bookkeeper Account's financial statements.

**2. 2% Commissions – LTBA/LQHBA Breeder Awards**

As prescribed by Louisiana state law, each licensee conducting race meetings, for which supplements for purses are provided, shall withhold two percent of the total supplemental purses. These fees are collected per Louisiana statute by the Horsemen's Bookkeeper and remitted to the Louisiana Thoroughbred Breeders Association (LTBA) and the Louisiana Quarter Horse Breeders Association (LQHBA). During the years ended March 31, 2018 and 2017, commissions paid were \$930,150 and \$1,001,697, respectively.

**3. Concentration of Credit Risk**

The Bookkeeper Account periodically maintains cash in bank accounts in excess of insured limits. The Bookkeeper Account has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

**4. Investments**

Investments consist of the following at March 31:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 9,720,009	\$ 9,510,751
Government agency securities	-	90,028
Total	<u>\$ 9,720,009</u>	<u>\$ 9,600,779</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2018 AND 2017**

**5. Fair Value Measurements**

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, 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 levels of the fair value hierarchy 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 at the measurement date.
- 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.

The Bookkeeper Account has no Level 3 investments.

The asset 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. There have been no changes in the methodologies used at March 31, 2018 and 2017.

*Certificates of deposit:* The fair value of certificates of deposit and term deposits is estimated using third-party quotations.

*Government agency securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Bookkeeper Account believes the 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.**  
**HORSEMEN'S BOOKKEEPER ACCOUNT**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2018 AND 2017**

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

Government agency securities as of March 31, 2017 were considered Level 1 investments within the fair value hierarchy. Certificates of deposit as of March 31, 2018 and 2017 were considered Level 2 investments within the fair value hierarchy.

**6. Related Party Transactions**

During the years ended March 31, 2018 and 2017, the Bookkeeper Account by Louisiana legislative statutes collected and disbursed amounts on behalf of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc., Workers' Compensation Insurance Trust, Pension Trust, and Horsemen's Alliance (PAC). These amounts are presented on the statements of receipts and disbursements – modified cash basis.

**7. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 28, 2018, and determined no items require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**SUPPLEMENTAL INFORMATION**

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

**SCHEDULE OF COMPENSATION, BENEFITS,  
AND OTHER PAYMENTS TO AGENCY HEAD  
FOR THE YEAR ENDED MARCH 31, 2018**

Agency Head Name: Edwin Fenasci, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 116,838
Benefits - insurance	6,733
Registration fees	442
Conference travel	50

Note: The governing body of the Louisiana Horseman's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account is the Board of Directors of LAHBPA, 1993, Inc. The Executive Director of LAHBPA 1993, Inc. is the individual responsible for and monitors all activities of the LAHBPA 1993, Inc. and its related organizations including the Louisiana Horseman's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account. The Louisiana Horseman's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account does not have any employees. This schedule reflects the compensation, benefits and other payments made to the Executive Director by LAHBPA 1993, Inc.

See independent auditors' report.

**INDEPENDENT AUDITORS' 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.  
Horsemen's Bookkeeper Account

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 Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account (The Bookkeeper Account) which comprise the statements of assets, liabilities, and net assets – modified cash basis for the year ended March 31, 2018, and the related statements of receipts and disbursements – modified cash basis for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 28, 2018.

**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. Horsemen's Bookkeeper Account'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 Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bookkeeper Account'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 audits 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. Horsemen's Bookkeeper Account's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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. Horsemen's Bookkeeper Account'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 Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Netterville*

Metairie, Louisiana  
September 28, 2018