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

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

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RICHARD  CPAS

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

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

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## Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries (LAHBPA 1993, Inc.), which comprise the consolidated statements of net position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 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, 2019 and 2018 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.

## **Emphasis of Matter**

As discussed in Note 10 to the financial statements, LAHBPA 1993 Inc., may be impacted by disruptions in the economy and business operations associated with the coronavirus (COVID-19) pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent to which the COVID-19 outbreak may impact LAHBPA 1993 Inc.'s financial position or statement of activities cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, on page 18-21, Consolidating Statements of Financial Position and Consolidating Statements of Activities, and on page 22, Schedule of Compensation, Benefits, and Other Payments to the Agency Head, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 Statements of Financial Position, Consolidating Statements of Activities, and the Schedule of Compensation, Benefits, and Other Payments to the Agency Head are fairly stated, in all material respects, in the relation to the consolidated financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2020 on our consideration of LAHBPA 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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.

*Richard CPAS*

Metairie, Louisiana  
August 28, 2020

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION**  
**1993, INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

<b><u>ASSETS</u></b>		
	2019	2018
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 1,196,157	\$ 845,360
Claims escrow funds	144,571	141,746
Fees receivable - workers' compensation program	92,859	103,780
Accounts receivable - workers' compensation program	108,028	97,062
Premium receivable	83,532	51,649
Prepaid expenses	108,388	198,547
Restricted cash - workers' compensation program	2,028,977	1,354,319
Due from related parties	2,869	983
Property and equipment, net	135,892	145,689
Total assets	\$ 3,901,273	\$ 2,939,135
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>LIABILITIES</u></b>		
Accounts payable and accrued expenses	\$ 116,944	\$ 107,181
Reserve for losses and loss adjustment expenses	-	81,613
Unearned premiums - workers' compensation	255,313	258,211
Due to related parties	1,084,390	647,242
Total liabilities	1,456,647	1,094,247
<b><u>NET ASSETS</u></b>		
Unrestricted - LAHBPA 1993 Inc.	2,444,626	1,844,888
Total net assets	2,444,626	1,844,888
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b>\$ 3,901,273</b>	<b>\$ 2,939,135</b>

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

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION**  
**1993, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b><u>REVENUES AND OTHER SUPPORT</u></b>		
Workers' compensation premiums	\$ 542,157	\$ 409,969
Management fee income	1,477,200	1,477,200
Underwriting (loss) gain	81,613	74,308
Pony lead fees	631,199	656,013
Investment income - Horsemen's Bookkeeper	299,336	226,955
Jockey payroll and NSF fees	70,370	72,113
Investment income	101,411	7,282
Other income	295,531	253,406
Total revenues and other support	3,498,817	3,177,246
<b><u>EXPENSES</u></b>		
Program services	2,752,475	2,652,324
Management and general	146,604	163,451
Total expenses	2,899,079	2,815,775
<b><u>CHANGE IN NET ASSETS</u></b>	599,738	361,471
<b><u>NET ASSETS, BEGINNING OF THE YEAR</u></b>	1,844,888	1,483,417
<b><u>NET ASSETS, END OF THE YEAR</u></b>	\$ 2,444,626	\$ 1,844,888

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

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION**  
**1993, INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Program Services	Support Services - Management and General	Total	Program Services	Support Services - Management and General	Total
Personnel costs	\$ 1,664,590	\$ 18,214	\$ 1,682,804	\$ 1,643,059	\$ 17,557	\$ 1,660,616
Professional fees	382,660	98,186	480,846	352,529	114,920	467,449
Bank charges	8,180	2,930	11,110	14,813	3,328	18,141
Conferences	3,821	-	3,821	10,437	-	10,437
Depreciation	9,797	-	9,797	13,251	-	13,251
Miscellaneous	11,722	1,785	13,507	4,754	1,487	6,241
Insurance	66,323	12,988	79,311	65,429	13,347	78,776
National assessment	54,929	-	54,929	48,070	-	48,070
Occupancy	105,408	11,534	116,942	111,675	11,993	123,668
Travel and meals	35,031	-	35,031	20,780	-	20,780
Repairs and maintenance	18,377	967	19,344	15,555	819	16,374
Postage and printing	75,983	-	75,983	73,179	-	73,179
Benevolence	17,147	-	17,147	6,846	-	6,846
Worker's compensation	298,507	-	298,507	271,947	-	271,947
	<u>\$ 2,752,475</u>	<u>\$ 146,604</u>	<u>\$ 2,899,079</u>	<u>\$ 2,652,324</u>	<u>\$ 163,451</u>	<u>\$ 2,815,775</u>

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



**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION**  
**1993, INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 599,738	\$ 361,471
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	9,797	13,251
Non-cash change in reserve for losses	(81,613)	-
Net change in operating assets and liabilities		
Fees receivable - workers' compensation	10,921	(20,433)
Accounts receivable - workers' compensation	(10,966)	(8,421)
Premium receivable	(31,883)	6,112
Prepaid expenses	88,273	(55,826)
Claims escrow funds	(2,825)	20,621
Accounts payable and accrued expenses	9,763	5,160
Losses payable	-	(2,345)
Unearned premiums - workers' compensation	(2,898)	17,351
Due to/ from related parties	437,148	(173,638)
Net cash provided by operating activities	<u>1,025,455</u>	<u>163,303</u>
Net increase in cash and cash equivalents	1,025,455	163,303
Cash and cash equivalents, beginning of year	<u>2,199,679</u>	<u>2,036,376</u>
Cash and cash equivalents, end of year	<u>\$ 3,225,134</u>	<u>\$ 2,199,679</u>
<b><u>RECONCILIATION TO THE STATEMENTS OF FINANCIAL POSITION</u></b>		
Cash and cash equivalents	\$ 1,196,157	\$ 845,360
Restricted cash workers' compensation program	<u>2,028,977</u>	<u>1,354,319</u>
	<u>\$ 3,225,134</u>	<u>\$ 2,199,679</u>

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**1. Significant Accounting Policies**

**Organization**

The purpose of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. (LAHBPA 1993, Inc.) is to protect the interest of the horse owners and trainers, particularly as it relates to their relationships with the owners and managers of racetracks. 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 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 was 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 the 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. Effective in 2011, HIA discontinued writing insurance coverage and commenced running off its existing claims.

At December 31, 2018, HIA had one open claim. On May 22, 2019, HIA reached agreement on a final settlement relating to its final claim. LAHBPA 1993 Inc. has authorized the Executive Director to explore the sale of HIA.

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, 2019**

**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 HIA, a wholly owned subsidiary of the HAH. All intercompany activities and transactions have been eliminated upon consolidation.

**Basis of Accounting**

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

**Financial Statement Presentation**

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:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions net assets for an operating reserve or board-designated endowment.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor- imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2019 and 2018, LAHBPA 1993 Inc. held no net assets with donor restrictions.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

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

**Financial Statement Presentation (continued)**

The consolidated statements of activities present 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**

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

**Accounts Receivable**

Accounts receivable consists primarily of amounts related to the worker's compensation program and are stated at the amount management expects to collect. Management provides for probably uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2019 and 2018, the allowance for doubtful accounts is \$46,584 and \$39,787, respectively.

**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 nonrefundable minimum deposit of \$1,000 as of December 31, 2019 and 2018.

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, 2019**

**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**

Pursuant to Louisiana Revised Statute (La R.S.) 4:251 through 252, the Louisiana Legislature authorized and empowered the LAHBPA 1993, Inc. "To establish, operate and administer an insurance program for the purpose of providing workers' compensation insurance coverage and related benefits to members of the Horsemen's Benevolent and Protective Association and other persons including and especially owners of racehorses, licensed by the Louisiana State Racing Commission." LAHBPA 1993, Inc. formed the Horsemen's Workers Compensation Insurance Trust (HWCIT) effective July 17, 2011 to provide this insurance coverage.

The worker's compensation program is authorized to utilize up to 2% of all purses and purse supplements, of which, up to one half is authorized to be used for the improvement and administration of the Horsemen's Self-Help Pension Program (Pension Trust). Until June 1, 2016, contributions consisted of one-half of the authorized two percent of total amount of purses and purse supplements available. Beginning on June 1, 2016, contributions to Pension Trust consisted of one-fourth of the authorized two percent of total amount of purses and purse supplements available. Effective again as of June 1, 2017, contributions reverted to consist of the original one-half of the authorized two percent of the total amounts of purses and purse supplements available. No statutorily dedicated funds are recognized as revenue by LAHBPA 1993, Inc. The Pension Trust and Medical Trust receive their distribution directly from the racetracks. Funds received for workers' compensation Louisiana risk exposure are passed through LAHBPA 1993, Inc. in their entirety to HWCIT.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

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

**Revenue and Other Support (continued)**

The Workers' Compensation Insurance Program generates premium revenue for LAHBPA 1993, Inc. and HWCIT. 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.

**Income Taxes**

LAHBPA 1993, Inc. is a nonprofit organization exempt from income taxes under provisions of the Internal Revenue Service Code Section 501(c) (6); 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% 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.

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. Prior to June 1, 2017, the fee was \$16 per start and divided as follows: \$0.90 to HAH PAC, \$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 HAH PAC, \$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 consolidated 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, 2019**

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

**Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs, primarily salaries, benefits, and professional fees have been allocated among the programs and supporting services benefited. The allocation between functions is based on time spent by specific employees as estimated by management. All other costs are charged directly to the appropriate functional category.

**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 the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of additions to and reduction of net assets during the reported period. Accordingly, actual results may differ from those estimates.

**New Accounting Pronouncements - Adopted**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. LAHBPA 1993 Inc., has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The FASB has issued ASU No. 2014-09, Revenue from Contracts with Customers, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. On May 20, 2020, FASB voted to defer the effective date of ASU No. 2014-09 by one year to include nonpublic companies that have not yet issued their financial statements. LAHBPA 1993, Inc. has deferred the adoption of this standard.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**2. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,196,157	\$ 845,360
	<u>\$ 1,196,157</u>	<u>\$ 845,360</u>

The claims escrow funds, receivables, and restricted cash are either restricted by state statute or other requirement limiting its use for the workers' compensation program or otherwise not available for general expenditures in the next year.

**3. Property and Equipment, Net**

	<u>2019</u>	<u>2018</u>
Land	\$ 110,000	\$ 110,000
Automobile	49,907	49,907
Building	685,760	685,760
Building improvements	381,193	381,193
Furniture and fixtures	188,537	188,537
Computer software	52,550	52,550
Computer hardware	49,144	49,144
Equipment	135,789	135,789
Field office trailers	<u>171,532</u>	<u>171,532</u>
Total	1,824,412	1,824,412
Less: accumulated depreciation	<u>(1,688,520)</u>	<u>(1,678,723)</u>
Property and equipment, net	<u>\$ 135,892</u>	<u>\$ 145,689</u>

Depreciation expense of \$9,797 and \$13,251 is included in the consolidated statements of functional expenses for the years ended December 31, 2019 and 2018, respectively.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

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

Reserve for losses consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Reported claims	\$ -	\$ 50,166
Incurred but not reported and adverse development	-	31,447
	<u>\$ -</u>	<u>\$ 81,613</u>

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

	<u>2019</u>		<u>2018</u>	
	General Portfolio	Segregated Portfolio	General Portfolio	Segregated Portfolio
Balance - beginning of year	\$ -	\$ -	\$ -	\$ 81,613
Incurred related to prior years	\$ -	\$ -	\$ -	\$ -
Paid related to prior years	\$ -	\$ -	\$ -	\$ -
Balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,613</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, 2019 and 2018, 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, 2019 and 2018, the estimated outstanding losses for all policy years on an undiscounted basis were \$0 and \$81,613 respectively, at an expected confidence level.

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. The expectations associated with these amounts could change. LAHBPA 1993, Inc. and HIA do not discount the reserves for losses and loss-adjustment expenses.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**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) consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Due from Horsemen's Alliance	\$ 250	\$ 250
Due from Charitable Foundation	733	733
Due to Horsemen's Workers' Compensation Insurance Trust	<u>1,886</u>	<u>-</u>
Due from related party - 1993, Inc., net	<u>\$ 2,869</u>	<u>\$ 983</u>

	<u>2019</u>	<u>2018</u>
Due to Horsemen's Workers' Compensation Insurance Trust	\$ 1,084,390	\$ 647,242
Due to related party - 1993 Inc., net	<u>\$ 1,084,390</u>	<u>\$ 647,242</u>

The amount due to the affiliated entities on behalf of LAHBPA 1993, Inc. was \$1,084,390 and \$647,242 at December 31, 2019 and 2018, respectively. The balance due to related parties are non-interest bearing and are unsecured. The balances due to HWCIT of \$1,084,390 and \$647,242 in 2019 and 2018, respectively, represent the worker's compensation premiums and purse funding collected by 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, 2019 and 2018, LAHBPA 1993, Inc. earned management fees totaling \$1,477,200 and \$1,477,200 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., 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**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.

*Letters of Credit*

Letters of credit of \$577,825 and \$577,825 as of December 31, 2019 and 2018, respectively, were issued by HIA's banker in favor of the Ceding insurer to secure HIA's liabilities under the reinsurance assumed. The letters of credit were secured by a guarantee from LAHBPA 1993, Inc.

**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 4) represents approximately 41% and 48% of its total revenues earned during the years ended December 31, 2019 and 2018, respectively. Management does not foresee any unfavorable impact as a result of these concentrations.

LAHBPA 1993, Inc. maintains its cash and cash equivalent balances in several financial institutions. Custodial credit risk is the risk that in the event of a bank failure, LAHBPA 1993, Inc.'s deposits may not be returned to them. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019 and 2018, LAHBPA 1993, Inc.'s cash exceeded federally insured limits by \$2,327,588 and \$1,168,027, respectively.

**9. Other Income**

A lawsuit with Harrah's resulted in a final settlement of \$600,000. LAHBPA 1993, Inc. received \$212,800 in cash in 2017 and included in other income. New Caesars' convertible notes with a face value of \$137,824 were received during 2018 in which LAHBPA 1993, Inc. sold for \$221,740 and included in other income. The final distribution was 32,092 shares of new Caesars company stock received in May 2019 and is included in other income.

**10. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 28, 2020, and determined the following requires disclosure. No events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**10. Subsequent Events (continued)**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets in the local area and around the world. LAHBPA 1993, Inc. is uncertain how long these conditions will last and what the complete financial effect will be.

Horse racing in Louisiana resumed at three of the four tracks in June 2020. The fourth track is not scheduled to resume racing until November 2020 and the current closure is consistent with the state racing calendar and is not COVID-19 related. Delta Downs racetrack, located near Lake Charles, suffered damage due to Hurricane Laura in August 2020. The race meet originally scheduled to begin on October 6, 2020 may be delayed in order to perform repairs to the property and related facilities.

On April 22, 2020, LAHBPA 1993, Inc. received a Paycheck Protection Program loan in the amount of \$317,100. This loan is potentially forgivable if LAHBPA 1993, Inc. meets certain criteria. The loan has an interest rate of 1% and is due five years from the date of origination. The Paycheck Protection Program loan does not require any collateral or personal guarantees associated with this loan.

**SUPPLEMENTARY INFORMATION**

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION**  
**1993, INC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

**ASSETS**

	LAHBPA 1993				Consolidated
	Inc.	HAH	HIA	Eliminations	Total
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 1,150,693	\$ 45,464	\$ -	\$ -	\$ 1,196,157
Claims escrow funds	-	-	144,571	-	144,571
Purse receivable	92,859	-	-	-	92,859
Accounts receivable - worker's comp premiums	108,028	-	-	-	108,028
Premium receivable	83,532	-	-	-	83,532
Prepaid expenses	108,217	-	171	-	108,388
Restricted cash - worker's compensation	1,925,167	-	103,810	-	2,028,977
Due from related entities	23,263	-	-	(20,394)	2,869
Property and equipment, net	135,892	-	-	-	135,892
Investment in subsidiary	254,827	229,757	-	(484,584)	-
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 3,882,478</u></b>	<b><u>\$ 275,221</u></b>	<b><u>\$ 248,552</u></b>	<b><u>\$ (504,978)</u></b>	<b><u>\$ 3,901,273</u></b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 98,149	\$ -	\$ 18,795	\$ -	\$ 116,944
Reserve for losses and loss adjustment expenses	-	-	-	-	-
Losses payable	-	-	-	-	-
Unearned premiums - workers' compensation	255,313	-	-	-	255,313
Due to related parties	1,084,390	20,394	-	(20,394)	1,084,390
Total liabilities	<u>1,437,852</u>	<u>20,394</u>	<u>18,795</u>	<u>(20,394)</u>	<u>1,456,647</u>

**NET ASSETS**

Unrestricted	2,444,626	-	-	-	2,444,626
Retained earnings (accumulated deficit)	-	(330,173)	(2,292,029)	2,622,202	-
Additional paid-in capital	-	585,000	2,519,786	(3,104,786)	-
Common stock	-	-	2,000	(2,000)	-
Total net assets	<u>2,444,626</u>	<u>254,827</u>	<u>229,757</u>	<u>(484,584)</u>	<u>2,444,626</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 3,882,478</u></b>	<b><u>\$ 275,221</u></b>	<b><u>\$ 248,552</u></b>	<b><u>\$ (504,978)</u></b>	<b><u>\$ 3,901,273</u></b>

See accompanying independent auditors' report

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION**  
**1993, INC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

**ASSETS**

	LAHBPA 1993				Consolidated
	Inc.	HAH	HIA	Eliminations	Total
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 799,863	\$ 45,497	\$ -	\$ -	\$ 845,360
Claims escrow funds	-	-	141,746	-	141,746
Purse receivable	103,780	-	-	-	103,780
Accounts receivable - worker's comp premiums	97,062	-	-	-	97,062
Premium receivable	51,649	-	-	-	51,649
Prepaid expenses	180,558	-	17,989	-	198,547
Restricted cash - worker's compensation	1,244,891	-	109,428	-	1,354,319
Due from related entities	21,140	-	-	(20,157)	983
Property and equipment, net	145,689	-	-	-	145,689
Investment in subsidiary	208,390	183,050	-	(391,440)	-
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 2,853,022</u></b>	<b><u>\$ 228,547</u></b>	<b><u>\$ 269,163</u></b>	<b><u>\$ (411,597)</u></b>	<b><u>\$ 2,939,135</u></b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 102,681	\$ -	\$ 4,500	\$ -	\$ 107,181
Reserve for losses and loss adjustment expenses	-	-	81,613	-	81,613
Losses payable	-	-	-	-	-
Unearned premiums - workers' compensation	258,211	-	-	-	258,211
Due to related parties	647,242	20,157	-	(20,157)	647,242
Total liabilities	<u>1,008,134</u>	<u>20,157</u>	<u>86,113</u>	<u>(20,157)</u>	<u>1,094,247</u>

**NET ASSETS**

Unrestricted	1,844,888	-	-	-	1,844,888
Retained earnings (accumulated deficit)	-	(376,610)	(2,317,736)	2,694,346	-
Additional paid-in capital	-	585,000	2,498,786	(3,083,786)	-
Common stock	-	-	2,000	(2,000)	-
Total net assets	<u>1,844,888</u>	<u>208,390</u>	<u>183,050</u>	<u>(391,440)</u>	<u>1,844,888</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 2,853,022</u></b>	<b><u>\$ 228,547</u></b>	<b><u>\$ 269,163</u></b>	<b><u>\$ (411,597)</u></b>	<b><u>\$ 2,939,135</u></b>

See accompanying independent auditors' report

**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION**  
**1993, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	LAHBPA 1993 Inc.	HAH	HLA	Eliminations	Consolidated Total
<b><u>REVENUES AND OTHER SUPPORT</u></b>					
Workers' compensation premiums	\$ 542,157	\$ -	\$ -	\$ -	\$ 542,157
Management fee income	1,477,200	-	-	-	1,477,200
Underwriting income (loss)	-	-	81,613	-	81,613
Pony lead fees	631,199	-	-	-	631,199
Investment income - Bookkeeper	299,336	-	-	-	299,336
Jockey payroll and NSF fees	70,370	-	-	-	70,370
Investment return	96,093	7	5,311	-	101,411
Other income	295,531	-	-	-	295,531
Gain (loss) from subsidiary	25,437	25,707	-	(51,144)	-
Total revenues and other support	<u>3,437,323</u>	<u>25,714</u>	<u>86,924</u>	<u>(51,144)</u>	<u>3,498,817</u>
<b><u>EXPENSES</u></b>					
Program expenses	2,752,446	-	29	-	2,752,475
Management and general	85,139	277	61,188	-	146,604
Total expenses	<u>2,837,585</u>	<u>277</u>	<u>61,217</u>	<u>-</u>	<u>2,899,079</u>
<b><u>CHANGE IN NET ASSETS</u></b>	<u>599,738</u>	<u>25,437</u>	<u>25,707</u>	<u>(51,144)</u>	<u>599,738</u>
<b><u>NET ASSETS, BEGINNING OF THE YEAR</u></b>	<u>1,844,888</u>	<u>208,390</u>	<u>183,050</u>	<u>(391,440)</u>	<u>1,844,888</u>
<b><u>NET ASSET CONTRIBUTIONS (DISTRIBUTIONS, NET)</u></b>	<u>-</u>	<u>21,000</u>	<u>21,000</u>	<u>(42,000)</u>	<u>-</u>
<b><u>NET ASSETS, END OF THE YEAR</u></b>	<u>\$ 2,444,626</u>	<u>\$ 254,827</u>	<u>\$ 229,757</u>	<u>\$ (484,584)</u>	<u>\$ 2,444,626</u>

See accompanying independent auditors' report



**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION**  
**1993, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>LAHBPA 1993</u> <u>Inc.</u>	<u>HAH</u>	<u>HIA</u>	<u>Eliminations</u>	<u>Consolidated</u> <u>Total</u>
<b><u>REVENUES AND OTHER SUPPORT</u></b>					
Workers' compensation premiums	\$ 409,969	\$ -	\$ -	\$ -	\$ 409,969
Management fee income	1,477,200	-	-	-	1,477,200
Underwriting (loss)	-	-	74,308	-	74,308
Pony lead fees	656,013	-	-	-	656,013
Investment income - Bookkeeper	226,955	-	-	-	226,955
Jockey payroll and NSF fees	72,113	-	-	-	72,113
Investment return	5,306	-	1,976	-	7,282
Other income	253,406	-	-	-	253,406
Gain (loss) from subsidiary	(91,253)	(90,964)	-	182,217	-
Total revenues and other support	<u>3,009,709</u>	<u>(90,964)</u>	<u>76,284</u>	<u>182,217</u>	<u>3,177,246</u>
<b><u>EXPENSES</u></b>					
Program expenses	2,558,052	-	94,272	-	2,652,324
Management and general	90,186	289	72,976	-	163,451
Total expenses	<u>2,648,238</u>	<u>289</u>	<u>167,248</u>	<u>-</u>	<u>2,815,775</u>
<b><u>CHANGE IN NET ASSETS</u></b>	<u>361,471</u>	<u>(91,253)</u>	<u>(90,964)</u>	<u>182,217</u>	<u>361,471</u>
<b><u>NET ASSETS, BEGINNING OF THE YEAR</u></b>	<u>1,483,417</u>	<u>249,643</u>	<u>219,014</u>	<u>(468,657)</u>	<u>1,483,417</u>
<b><u>NET ASSET CONTRIBUTIONS (DISTRIBUTIONS, NET)</u></b>	<u>-</u>	<u>50,000</u>	<u>55,000</u>	<u>(105,000)</u>	<u>-</u>
<b><u>NET ASSETS, END OF THE YEAR</u></b>	<u>\$ 1,844,888</u>	<u>\$ 208,390</u>	<u>\$ 183,050</u>	<u>\$ (391,440)</u>	<u>\$ 1,844,888</u>

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, 2019**

Agency Head Name: Edwin Fenasci, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 123,830
Benefits - insurance	7,093
Meals and Parking	292
Registration fees	350
Conference travel	2,850

The Executive Director of LAHBPA 1993, Inc. is the individual responsible for and monitors all activities of the LAHBPA 1993, Inc. and 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 auditor's report.

**OTHER 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**

To the Trustees  
Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.  
New Orleans, Louisiana

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. (LAHBPA 1993, Inc.), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an 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.'s 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 a material weakness. 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.'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 matter 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 LAHBPA 1993, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAHBPA 1993, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Richard CPAS*

Metairie, Louisiana  
August 28, 2020