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**LOUISIANA THOROUGHBRED BREEDERS
ASSOCIATION**

December 31, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 12 2000

Audit of Financial Statements

December 31, 1999

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Board of Directors
Louisiana Thoroughbred Breeders Association

Independent Auditor's Report

We have audited the statement of assets, liabilities and fund balance - modified cash basis of **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** (a non-profit organization) as of December 31, 1999, and the related statements of revenues and expenses - modified cash basis, and changes in fund balance - modified cash basis, for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the Association's policy is to prepare its financial statements on the modified basis of cash receipts and disbursements; consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

As discussed in Note A, the Association has recorded accounts receivable related to the publication of the Louisiana Horse magazine. In our opinion, accounts receivable should not be recorded using the modified cash basis of accounting. The effect of recording accounts receivable is to increase assets, fund balance and revenues by \$17,773.

As discussed in Note A, the Association has decided not to adopt Statement of Financial Accounting Standards (SFAS 116), "Accounting for Contributions Received and Contributions Made" and Statement of Financial Accounting Standards (SFAS 117), "Financial Statements of Not-for-Profit Organizations". Management feels that the financial statements are more beneficial to the reader without the adoption of these two Statements. Not adopting SFAS 116 and SFAS 117 had no effect on the Association's financial position, results of operations and changes in financial position.

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In our opinion, except for the effects of recording accounts receivable, and not adopting SFAS 116 and SFAS 117 as discussed in the preceding paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balance of **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** as of December 31, 1999, and its related revenue and expenses and changes in fund balance for the year then ended on the basis of accounting as described in Note A.

Our audit was made for the purposes of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 15 – 22 is presented for the purposes 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 basic financial statements and, in our opinion, except for the effects of recording accounts receivable, as discussed above, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Information for the year ended December 31, 1998, is presented for comparative purposes only and was extracted from the financial statements presented for that year, which were audited by other auditors whose opinion, dated June 17, 1999, was qualified.



A Professional Accounting Corporation

May 30, 2000

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - MODIFIED CASH BASIS

December 31, 1999

ASSETS	Operating	Louisiana			Other Races	Political Action Council	Totals (Memorandum Only)
		Louisiana Horse	Champions Day	SALAM Races			
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 906,628	\$ 46,497	\$ 21,926	\$ 24,265	\$ 1,954,702	\$ -	\$ 2,954,018
Accounts Receivable	-	17,773	-	-	-	-	17,773
Total Current Assets	906,628	64,270	21,926	24,265	1,954,702	-	2,971,791
PROPERTY AND EQUIPMENT							
Furniture and Equipment	83,922	51,969	-	-	-	-	135,891
Buildings	83,341	-	-	-	-	-	83,341
Automobile	28,653	-	-	-	-	-	28,653
	195,916	51,969	-	-	-	-	247,885
Less: Accumulated Depreciation	(121,040)	(39,924)	-	-	-	-	(160,964)
Property and Equipment - Net	74,876	12,045	-	-	-	-	86,921
OTHER ASSETS							
Cash Surrender Value - Key Man Life	60,559	-	-	-	-	-	60,559
Due From Breeders Sales Company	42,037	-	-	-	-	-	42,037
Investment - Breeders Sales Company	20,000	-	-	-	-	-	20,000
Due From Other Funds	6,400	-	-	-	520	-	6,920
Deposits	875	-	-	-	-	-	875
Due From IRS/Pension Plan	202	-	-	-	-	-	202
Total Other Assets	130,073	-	-	-	520	-	130,593
Total Assets	\$ 1,111,577	\$ 76,315	\$ 21,926	\$ 24,265	\$ 1,955,222	\$ -	\$ 3,189,305

	Operating	Louisiana Horse	Louisiana Champions Day	SALAM Races	Other Races	Political Action Council	Totals (Memorandum Only)
LIABILITIES AND FUND BALANCE (DEFICIT)							
CURRENT LIABILITIES							
Deposits - Futurity Races	\$ 40,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,106
Total Current Liabilities	<u>40,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,106</u>
LONG-TERM LIABILITIES							
Deposits - Futurity Races	24,020	-	-	-	-	-	24,020
Due to Other Funds	520	-	-	-	-	6,400	6,920
Total Long-Term Liabilities	<u>24,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,400</u>	<u>30,940</u>
Total Liabilities	64,646	-	-	-	-	6,400	71,046
FUND BALANCE (DEFICIT)							
	<u>1,046,931</u>	<u>76,315</u>	<u>21,926</u>	<u>24,265</u>	<u>1,955,222</u>	<u>(6,400)</u>	<u>3,118,259</u>
	<u>\$ 1,111,577</u>	<u>\$ 76,315</u>	<u>\$ 21,926</u>	<u>\$ 24,265</u>	<u>\$ 1,955,222</u>	<u>\$ -</u>	<u>\$ 3,189,305</u>

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES - MODIFIED CASH BASIS
For The Year Ended December 31, 1999

	Operating	Louisiana Horse	Louisiana Champions Day	SALAM Races	Other Races	Political Action Council	Totals (Memorandum Only)
REVENUES							
Awards - 9.1%	\$ -	\$ -	\$ 200,000	\$ -	\$ 1,761,062	\$ -	\$ 1,961,062
Fees - 14%	419,839	-	-	-	-	-	419,839
Awards - Triple Crown Races	-	-	270,149	-	-	-	270,149
Commissions - 2%	235,502	-	-	-	-	-	235,502
SALAM Awards - 8% and 15.1%	-	-	-	152,062	-	-	152,062
Interest	46,814	-	7,081	369	88,283	-	142,547
Publications	-	58,889	-	-	-	-	58,889
Nominations	-	-	45,050	-	-	-	45,050
Sponsorship	-	-	33,000	-	-	-	33,000
Accrediting Fees	28,140	-	-	-	-	-	28,140
Member's Dues	23,520	-	-	-	-	20	23,540
Stallion Fees	-	-	14,800	-	-	-	14,800
Silent Auction	-	-	14,275	-	-	-	14,275
Ticket Sales	-	-	5,330	-	-	-	5,330
Miscellaneous	1,266	-	-	-	-	-	1,266
Total Revenues	755,081	58,889	589,685	152,431	1,849,345	20	3,405,451

	Louisiana		Louisiana		Louisiana		Political		Totals (Memorandum Only)
	Operating	Horse	Champions Day	SALAM Races	Other Races	Action Council			
EXPENSES									
Breeder's Awards	88,336	-	449,835	369,948	985,504	-	-	1,893,623	
Purse Supplements	30,000	-	-	-	270,000	-	-	300,000	
Salaries - Regular	148,912	26,120	-	-	-	-	-	175,032	
Triple Crown Race Funds - LQHBA	-	-	79,383	-	-	-	-	79,383	
Stallion Awards	66,150	-	-	-	-	-	-	66,150	
Contract Labor	40,000	-	-	-	-	-	-	40,000	
Casual Labor	25,052	300	-	-	-	-	-	25,352	
Publication Expenses	-	58,011	-	-	-	-	-	58,011	
Advertising and Promotion	18,899	140	29,257	-	-	-	-	48,296	
Insurance	41,405	-	-	-	-	-	-	41,405	
Meetings and Banquets	22,138	-	17,885	-	-	-	-	40,023	
Profit Sharing Expense	37,904	-	-	-	-	-	-	37,904	
Depreciation	15,368	6,244	-	-	-	-	-	21,612	
Office Supplies	19,433	1,557	-	-	-	-	-	20,990	
Telephone Expense	18,683	728	-	-	-	-	-	19,411	
General Accounting and Legal	17,370	-	-	-	-	-	-	17,370	
Salaries - Bonus	8,825	-	8,500	-	-	-	-	17,325	
Payroll Taxes	13,658	2,503	-	-	-	-	-	16,161	
Travel	13,677	360	-	-	-	-	-	14,037	
Audit	12,186	-	-	-	-	-	-	12,186	
Postage and Shipping	8,403	2,359	-	-	-	-	-	10,762	
Trophies	8,010	-	2,120	-	-	-	-	10,130	
Legal - Lawsuit	9,017	-	-	-	-	-	-	9,017	
Rent	9,000	-	-	-	-	-	-	9,000	
Printing	5,618	6	-	-	-	-	-	5,624	
Contributions	4,025	-	-	-	-	1,400	-	5,425	
Computer Fees	5,310	-	-	-	-	-	-	5,310	
Other	4,770	40	10	91	23	91	-	5,025	
Expense Reimbursement	3,170	-	-	-	-	-	-	3,170	
Dues and Subscriptions	2,243	325	-	-	-	-	-	2,568	
Equipment Rental	2,513	-	-	-	-	-	-	2,513	
Repairs and Maintenance	2,094	-	-	-	-	-	-	2,094	
Pedigree Research	714	-	-	-	-	-	-	714	
Bad Debts	-	533	-	-	-	-	-	533	
Utilities	-	300	-	-	-	-	-	300	
Total Expenses	702,883	99,526	586,990	370,039	1,255,527	1,491	-	3,016,456	
EXCESS (DEFICIT) REVENUES OVER EXPENSES	\$ 52,198	\$ (40,637)	\$ 2,695	\$ (217,608)	\$ 593,818	\$ (1,471)	\$	\$ 388,995	

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
STATEMENT OF CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
For The Year Ended December 31, 1999

	Operating	Louisiana Horse	Louisiana Champions Day	SALAM Races	Other Races	Political Action Council	Totals (Memorandum Only)
BALANCE - BEGINNING OF YEAR	\$ 1,140,681	\$ 99,407	\$ 19,231	\$ 34,373	\$ 1,441,728	\$ (6,156)	\$ 2,729,264
EXCESS (DEFICIT) REVENUES OVER EXPENSES, AS RESTATED	52,198	(40,637)	2,695	(217,608)	593,818	(1,471)	388,995
TRANSFER FROM (TO) OTHER FUNDS	(145,948)	17,545	-	207,500	(80,324)	1,227	-
BALANCE - END OF YEAR	\$ 1,046,931	\$ 76,315	\$ 21,926	\$ 24,265	\$ 1,955,222	\$ (6,400)	\$ 3,118,259

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

INTRODUCTION

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

The Association's principal office is located at the Fair Ground Racetrack in New Orleans. The Board of Directors can also maintain branch offices, and currently there are branch offices in Lafayette and Shreveport, at Evangeline Downs and Louisiana Downs, respectively. The Association has approximately 750 members and is under the management and supervision of its Board of Directors. The Board of Directors is composed of 14 members elected by the Association's membership. The secretary-treasurer is a full-time employee of the Association and serves as the executive director of the Association, subject to the direction and instruction of the Board of Directors, and manages the daily operations of the Association. The Association has five full-time and two part-time employees.

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Association's policy is to prepare its financial statements on a modified cash basis of accounting that includes recording of depreciation on long-lived assets. Under this basis, revenues are generally recognized when collected rather than when earned, and expenses are generally recognized when paid rather than when incurred. Consequently, accrued income (except for accounts receivable), accrued expenses, payables and deferred expenses, which may be material in amount, are not reflected in the accompanying financial statements.

Interfund transfers are used to provide available funds to satisfy various fund purposes and are recognized when the transfer is made or when an interfund liability is incurred. Accordingly, the Association records interfund transactions due to and from the individual funds at December 31, 1999.

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

If an expense results in the acquisition of an asset having an estimated useful life that extends beyond the year of acquisition, the expense is capitalized and the asset is depreciated over its estimated useful life. In addition, the Association records its investment in the Breeders' Sales Company at cost. Thus, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Statement of Financial Accounting Standards (SFAS) No. 117 establishes standards for external financial statements provided by a nonprofit organization. SFAS No. 117 requires a statement of financial position identifying three classes of net assets (unrestricted, temporarily restricted, and permanently restricted), a statement of activities showing changes in the three classes of net assets by functional classifications, and a statement of cash flows. Management of the Association believes that it would be more beneficial to the users of the Association's financial statements to report on a modified cash basis of accounting, which is a basis of accounting not in accordance with generally accepted accounting principles, and has, therefore, not implemented SFAS No. 117. Instead, the substance of the requirements of SFAS No. 117 has been disclosed in Notes G and H. Also, use of the modified cash basis precludes the Association from including a statement of cash flows as required by SFAS No. 117.

TOTAL COLUMNS - OVERVIEW

Total columns (overview) are captioned memorandum only to indicate that they are presented to facilitate financial analysis only. Data in these columns do not present assets, liabilities and fund balance, revenues and expenses, and changes in fund balance - modified cash basis in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE B

FUND ACCOUNTING

To observe the limitations and restrictions placed on the use of available resources, the accounts of the Association are maintained in accordance with the principles of fund accounting. Accounts are maintained for each fund for accounting and reporting purposes in accordance with the specified activities or objectives. A brief description of each fund follows:

OPERATING FUNDS

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

14% License Fee

To assist the Association in its promotion of the industry, R.S. 4:218 provides that the Association receives 14% of the 1.5% license fee collected by the Louisiana State Racing Commission from off-track wagering facilities. The Association has elected to use these receipts to pay breeders awards to breeders of accredited Louisiana bred horses finishing first, second or third in out-of-state stakes races with a base value of \$25,000. These awards are paid at a rate of 10% of the earned purse, with the maximum award based on a purse of \$100,000 for Open Stakes and \$150,000 for Graded Stakes.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B

FUND ACCOUNTING (Continued)

Commissions 2%

As provided by R.S. 4:165(C), each licensee conducting race meetings shall withhold 2% of the total supplemental purse to be paid to the **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION**. The amounts withheld from the supplemental purses shall be paid to the Association for operating and administrative expenses.

Other Operating Fund Revenues

The Association records interest earned on investments, membership dues, accrediting fees, and miscellaneous revenues when received.

LOUISIANA HORSE FUND

The Louisiana Horse Fund accounts for the activities of the *Louisiana Horse Magazine*, the official publication of the Association.

LOUISIANA CHAMPIONS DAY

R.S. 4:202 authorizes the Association to hold a special day of racing devoted solely to Louisiana bred horses, for the purpose of focusing national attention on and enhancing the horse breeding industry in the State. As provided by the legislature, both thoroughbred and quarter horse races are included on the same racing program. The racing program on Louisiana Champions Day consists of seven races for thoroughbreds and three races for quarter horses.

Louisiana Champions Day purses shall be determined by the Association after consultation with the Louisiana Quarter Horse Breeders Association. Louisiana Champions Day races are funded through purses offered by participating racing associations, the appropriate breeders association, corporate contributions, funds from the Triple Crown races, and up to \$200,000 from the 9.1% funds from off-track wagering [R.S. 4:217(B)(2)(a)].

Awards-Triple Crown Race fund revenues represent all fees from pari-mutuel wagering on races held on the same day as the running of the Kentucky Derby, the Preakness and the Belmont stakes races. These funds are paid to the Association as provided by R.S. 4:203 and are required to be placed in an interest-bearing account known as the "Louisiana Champions Day Account." During the year ended December 31, 1999, the Association received \$270,149 of Triple Crown Race Funds. These receipts were used, in full to supplement Louisiana Champions Day purses for thoroughbred races.

SALAM RACES FUND

As provided by R.S. 4:184, each racing association shall conduct one special accredited Louisiana bred maiden (SALAM) thoroughbred race each thoroughbred racing day of each race meeting, if sufficient horses are available. The Executive Committee of the Association shall specify the type, age, distance and purse of each SALAM race.

Of the commissions earned by the racing association hosting each SALAM race, R.S. 4:184(B)(1) provides that the Association receives 8%. In addition, the Association receives 15.1% of the commission on wagers made at off-track wagering facilities on each SALAM race.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B

FUND ACCOUNTING (Continued)

SALAM RACES FUND (Continued)

The Association is obligated to use the above funds for payment of breeders' awards in accordance with a distribution formula established by the executive committee of the Association. Accordingly, the Association pays an award equal to 15% of the earned purse to the breeders of an accredited Louisiana bred finishing first, second, or third in the SALAM races.

OTHER RACES FUND

Other races include accredited Louisiana Bred and Open Races. An Accredited Louisiana Bred Race is one that is written exclusively for accredited Louisiana bred horses. An Open Race is any race other than one written exclusively for accredited Louisiana bred horses. R.S. 4:217(B)(2)(a) provides that 9.1% of the commissions collected by the off-track betting facilities, throughout the State, that are designated for purse supplements (except for SALAM and Triple Crown races) be remitted to the Association. The Association is obligated to use these funds to supplement purses for allowance, handicap, stake races for accredited Louisiana bred horses and to pay breeders awards to breeders of accredited Louisiana bred horses finishing first, second and third in Open Races at any track in Louisiana.

As provided by R.S. 4:177, each racing association authorized to conduct race meets shall pay the equivalent of 10% of the winner's share of the purse of each Open Race won by an accredited Louisiana bred horse. The Association uses these funds together with 9.1% funds from above to pay breeders awards to breeders of accredited Louisiana bred horses finishing first, second, and third in Open Races at any track in Louisiana. Funds received as provided by R.S. 4:217(B)(2)(a) and R.S. 4:177 are classified as Breeders' Awards Revenue of the Other Races Fund.

The maximum award paid by the Association on an Open Race - Non-Graded Stakes is based on a purse of \$100,000, and the maximum award paid by the Association on an Open Race - Graded Stakes is based on a purse of \$150,000.

Over and above the purse supplements mentioned above, R.S. 4:217(B)(2)(c) provides that the Association can use up to \$200,000 of the 9.1% funds, per year to supplement purses on Louisiana Champions Day.

Finally, the Association is transferring the interest earned on these funds to the general operation of the Association. This transfer assists in covering administrative costs incurred in maintaining the breeders awards program.

POLITICAL ACTION COUNCIL FUND

The Association formed a committee, known as the Breeder's Political Action Committee, for the purpose of representing the Association in legislative matters at the state level. Members of the Association are asked to contribute \$20 per year for the support of this committee.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B

FUND ACCOUNTING (Continued)

VIDEO DRAW POKER DEVICE PURSE SUPPLEMENT FUND

As enacted by Louisiana Revised Statute 33:4862.23(B), monies in the Video Draw Poker Device Purse Supplement Fund shall be annually appropriated to the Department of Economic Development, Louisiana State Racing Commission, and shall be allocated by the commission.

Two-thirds of the funds appropriated by the commission shall be allocated and provided to the licensed racing associations in the State, which conduct live horse racing, on the basis of the proportion the number of thoroughbred race days each association conducted for the preceding year bears to the total number of thoroughbred race days conducted statewide for the preceding year and such funds shall be used solely to supplement purses in accordance with a schedule or formula established by the purse committee of the Association on Louisiana bred thoroughbred races scheduled for purses not to exceed fifteen thousand dollars.

Due to the fact that the Association is not in receipt of these funds, but rather the licensed racing associations which conduct live horse racing, and because the Association does not disburse these funds, but rather provides direction to the licensed racing associations on which purses for Louisiana bred thoroughbred races will be supplemented, the financial activities of the Association do not reflect the receipts and disbursements of the licensed racing associations which conduct live horse racing.

NOTE C

ACCOUNTS RECEIVABLE

Beginning with the purchase of the Louisiana Horse Publication in 1990, the Association began recording accounts receivable pertaining to the operation of the publication. Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles. Credit is extended to those who are members of the Association.

NOTE D

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. When property and equipment are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included within the results of operations. Depreciation expense totaled \$21,612 for the year ended December 31, 1999.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE E

DEPOSITS HELD FOR FUTURITY RACES

Funds received as nominations for thoroughbreds to run in races scheduled in future years are accumulated until the races are run, with the funds distributed to the horseman's bookkeeper for distribution to the winning thoroughbred owner(s). Any interest earned on these funds is considered as operating revenue of the Association. As of December 31, 1999, the Association's deposits held for futurity races are classified accordingly: \$40,106, for the 2000 futurity, in current liabilities and \$24,020, for the 2001 and 2002 futurities in non-current liabilities.

NOTE F

CASH EQUIVALENTS

For reporting purposes, the Association considers all highly liquid debt instruments with a maturity of three months or less to be considered cash equivalents. Cash and cash equivalents include amounts available for current use (\$2,889,893) and are reported as current assets. The cash and cash equivalents balance also includes \$64,126, which is held for futurity races that will occur in the years 2000, 2001 and 2002.

NOTE G

CLASSIFICATIONS OF NET ASSETS

Unrestricted Net Assets

Unrestricted net assets do not have any donor-imposed restrictions on their use and include the activities of the Operating and Louisiana Horse Funds. For the year ended December 31, 1999, the changes in unrestricted net assets of the Association are as follows:

	<u>Operating Fund</u>	<u>Louisiana Horse Fund</u>	<u>Unrestricted Funds Total</u>
Revenues	\$ 755,081	\$ 58,889	\$ 813,970
Expenses	<u>702,883</u>	<u>99,526</u>	<u>802,409</u>
Excess (Deficit) Revenues Over Expenses	52,198	(40,637)	11,561
Transfers (to) from Unrestricted Fund	(17,545)	17,545	-
Transfers (to) Support Temporarily Restricted Funds	<u>(128,403)</u>	<u>-</u>	<u>(128,403)</u>
Increase (Decrease) in Net Assets	<u>(93,750)</u>	<u>(23,092)</u>	<u>(116,842)</u>
Unrestricted Net Assets – December 31, 1998	<u>1,140,681</u>	<u>99,407</u>	<u>1,240,088</u>
Unrestricted Net Assets – December 31, 1999	<u><u>\$ 1,046,931</u></u>	<u><u>\$ 76,315</u></u>	<u><u>\$ 1,123,246</u></u>

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE G

CLASSIFICATIONS OF NET ASSETS (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets include amounts that can only be used for certain types of expenses. Net assets of the Louisiana Champions Day Fund, SALAM Races Fund, Other Races Fund, and the Political Action Council Fund are temporarily restricted until they are used for allowable types of expenses. For the year ended December 31, 1999, the changes in the Association's temporarily restricted net assets are as follows:

	Louisiana Champions Day Fund	SALAM Races Fund	Other Races Fund	Political Action Council Fund	Temporarily Restricted Funds Totals
Revenues	<u>\$ 589,685</u>	<u>\$ 152,431</u>	<u>\$ 1,849,345</u>	<u>\$ 20</u>	<u>\$ 2,591,481</u>
Net Assets Released From Restrictions:					
Program Expenses	586,990	370,039	1,255,527	1,491	2,214,047
Less (Plus) Transfers From (To)					
Unrestricted Fund	<u>-</u>	<u>207,500</u>	<u>(80,324)</u>	<u>1,227</u>	<u>128,403</u>
Net Assets Satisfying Purpose of Restrictions	<u>586,990</u>	<u>577,539</u>	<u>1,175,203</u>	<u>2,718</u>	<u>2,342,450</u>
Increase (Decrease) in Net Assets	2,695	(10,108)	513,494	(244)	505,837
Unrestricted Net Assets -- December 31, 1998	<u>19,231</u>	<u>34,373</u>	<u>1,441,728</u>	<u>(6,156)</u>	<u>1,489,176</u>
Unrestricted Net Assets -- December 31, 1999	<u>\$ 21,926</u>	<u>\$ 24,265</u>	<u>\$ 1,955,222</u>	<u>\$ (6,400)</u>	<u>\$ 1,995,013</u>

NOTE H

FUNCTIONAL CLASSIFICATION OF EXPENSES

The Association reports expenses in its Statement of Revenues and Expenses – Modified Cash Basis in the natural expense categories. Financial Accounting Standards Board Statement (SFAS) No. 117 requires disclosure of expenses between the functional classifications of program and support. Program services, totaling \$2,399,052, include payments of breeders' awards, stallion awards, purse supplements, and the Louisiana Champions Day and account for approximately 80% of the Association's expenditures. Approximately 20% of expenses are for supporting activities, totaling \$617,314, and include membership development and management and general expenditures.

NOTE I

INCOME TAXES

The Association meets the requirements of Section 501(c)6 of the Internal Revenue Code and therefore is exempt from Federal and state income taxes.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE J

DEFINED CONTRIBUTION PENSION PLAN

The Association has a defined contribution pension plan for all employees who have reached twenty-one years of age and have a minimum of one year of service. The annual employer contribution is equal to 25% of each eligible employees annual wages and shall be paid in January of the year following the year of eligibility. The employee does not contribute to the plan. The Association paid employer contribution under this plan totaling \$37,904 in the year ended December 31, 1999.

NOTE K

RELATED PARTY TRANSACTIONS

Breeders Sales Company of Louisiana, Inc.

The Association is the sole shareholder of the Breeders' Sales Company of Louisiana, Inc. The purpose of this company is to organize and operate horse auctions in order for breeders to have a forum for selling their horses. It was formed by the Association's Board of Directors to keep the income of the two organizations separate. This investment is stated at cost, as opposed to the equity method, which is required by generally accepted accounting principles. As of December 31, 1999, the market value of this investment cannot be readily determined. The Retained Earnings of this company equals \$11,088, as of December 31, 1999. Use of the equity method would require that the investment be carried at approximately \$11,088, thus creating a difference of \$8,912, which is not reflected in the accompanying financial statements, the effect of which is considered immaterial to the financial statements as a whole.

As in past years, the Association did not charge and was not paid for the management of the Breeders' Sales Company of Louisiana, Inc. during 1999. For the year ended December 31, 1999, the Breeders' Sales Company of Louisiana, Inc. had a net profit of \$6,980.

As of December 31, 1999, the Breeders' Sales Company of Louisiana, Inc. owes the Association \$42,037.

Other Related Party Transactions

During the year ended December 31, 1999, the members of the Board of Directors had related party transactions with the Association as follows:

The President and general manager of the Fair Grounds Corporation, Mr. Bryan Krantz, is a board member. The Fair Grounds Corporation receives \$750 a month in rent from the Association.

A current board member, and a former board member, are lobbyists for the Association, receiving \$20,000 each for the year.

A former board member also receives commissions from the Association's group health and key man life insurance policies, as an insurance agent. Included within accounts receivable is \$4,205 that is owed by various members of the board.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE L

CONCENTRATION OF CREDIT RISK

The Association has three bank accounts whose balances exceed the insurance coverage provided by the Federal government. As of December 31, 1999, these balances exceed the insurance ceiling by \$98,988.

NOTE M

COMMITMENTS

The Association has executed an employment agreement with its Secretary-Treasurer effective March 30, 1999, and extending through March 30, 2000.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

**SCHEDULE I
STATEMENT OF REVENUES AND EXPENSES
OPERATING**

	For The Years Ended December 31,	
	1999	1998
REVENUES		
Fees - 14%	\$ 419,839	\$ 407,753
Commissions - 2%	235,502	195,360
Interest Income	46,814	55,530
Accrediting Fees	28,140	25,720
Member's Dues	23,520	28,035
Miscellaneous	1,266	440
	755,081	712,838
EXPENSES		
Salaries - Regular	148,912	133,189
Breeder's Awards	88,336	100,970
Stallion Awards	66,150	68,240
Casual Labor	65,052	57,617
Insurance	41,405	40,355
Profit Sharing Expense	37,904	37,888
Purse Supplements	30,000	32,750
Meetings and Banquets	22,138	21,336
Office Supplies	19,433	12,930
Advertising and Promotion	18,899	15,428
Telephone	18,683	13,025
General Accounting and Legal	17,370	16,122
Depreciation	15,368	18,981
Travel	13,677	12,567
Payroll Taxes	13,658	10,509
Audit	12,186	16,900
Legal - Lawsuit	9,017	174,075
Rent	9,000	9,000
Salaries - Bonus	8,825	-
Postage and Shipping	8,403	9,402
Trophies	8,010	7,503
Printing	5,618	11,971
Computer Fees	5,310	19,072
Contributions	4,025	6,385
Other	4,770	299
Expense Reimbursement	3,170	2,235
Equipment Rental	2,513	5,532
Dues and Subscriptions	2,243	2,028
Repairs and Maintenance	2,094	5,062
Pedigree Research	714	847
	702,883	862,218
Total Expenses		
Excess (Deficit) Revenues Over Expenses	\$ 52,198	\$ (149,380)

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

**SCHEDULE II
STATEMENT OF REVENUES AND EXPENSES
LOUISIANA HORSE**

	For The Years Ended December 31,	
	1999	1998
REVENUES		
Publications	\$ 58,889	\$ 106,878
Total Revenues	58,889	106,878
EXPENSES		
Publication Expense	58,011	53,596
Salaries	26,120	30,286
Depreciation	6,244	6,405
Payroll Taxes	2,503	2,518
Postage and Shipping	2,359	3,280
Office Supplies	1,557	604
Telephone	728	1,225
Bad Debts	533	-
Travel	360	453
Dues and Subscriptions	325	125
Casual Labor	300	988
Utilities	300	-
Advertising and Promotion	140	140
Other	40	179
Printing	6	1,984
Computer Fees	-	497
Repairs and Maintenance	-	150
Total Expenses	99,526	102,430
Excess (Deficit) Revenues Over Expenses	\$ (40,637)	\$ 4,448

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

**SCHEDULE III
STATEMENT OF REVENUES AND EXPENSES
LOUISIANA CHAMPIONS DAY**

	For The Years Ended December 31,	
	1999	1998
REVENUES		
Awards - Triple Crown Races	\$ 270,149	\$ 257,406
Awards - 9.1%	200,000	-
Nominations	45,050	45,400
Sponsorship	33,000	14,000
Stallion Fees	14,800	9,250
Silent Auction	14,275	5,030
Interest	7,081	5,108
Ticket Sales	5,330	4,335
Miscellaneous	-	400
	<u>589,685</u>	<u>340,929</u>
EXPENSES		
Purses Paid Out	449,835	434,338
Triple Crown Race Funds - LQHBA	79,383	76,455
Advertising and Promotion	29,257	12,268
Meetings and Banquets	17,885	21,266
Casual Labor	8,500	-
Trophies	2,120	283
Other	10	162
Printing	-	1,702
Office Supplies	-	78
Telephone	-	44
	<u>586,990</u>	<u>546,596</u>
Excess (Deficit) Revenues Over Expenses	<u>\$ 2,695</u>	<u>\$ (205,667)</u>

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

**SCHEDULE IV
STATEMENT OF REVENUES AND EXPENSES
SALAM**

	For The Years Ended December 31,	
	1999	1998
REVENUES		
SALAM Awards - 8% and 15.1%	\$ 152,062	\$ 145,027
Interest	369	464
Total Revenues	152,431	145,491
EXPENSES		
Breeders' Awards	369,948	295,715
Other	91	138
Total Expenses	370,039	295,853
(Deficit) Revenues Over Expenses	\$ (217,608)	\$ (150,362)

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

**SCHEDULE V
STATEMENT OF REVENUES AND EXPENSES
OTB - OPEN RACES**

	For The Years Ended December 31,	
	1999	1998
REVENUES		
Awards - 9.1%	\$ 1,761,062	\$ 1,569,853
Interest	88,283	70,521
Total Revenues	1,849,345	1,640,374
EXPENSES		
Breeders' Awards	985,504	1,050,987
Purse Supplements	270,000	120,000
Other	23	-
Total Expenses	1,255,527	1,170,987
Excess Revenues Over Expenses	\$ 593,818	\$ 469,387

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

**SCHEDULE VI
STATEMENT OF REVENUES AND EXPENSES
POLITICAL ACTION COUNCIL**

	For The Years Ended December 31,	
	1999	1998
REVENUES		
Member's Dues	\$ 20	\$ 305
Total Revenues	20	305
EXPENSES		
Contributions	1,400	4,225
Other	91	122
Total Expenses	1,491	4,347
(Deficit) Revenues Over Expenses	\$ (1,471)	\$ (4,042)

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

**SCHEDULE VII
COMPARISON OF BUDGET TO ACTUAL
OPERATING**

	For The Year Ended December 31, 1999		Favorable (Unfavorable)
	Budget	Actual	Variance
REVENUES			
Fees - 14%	\$ 400,000	\$ 419,839	\$ 19,839
Commissions - 2%	180,000	235,502	55,502
Transfer of Interest on 9.1% Funds	115,000	80,324	(34,676)
Interest Income	50,000	46,814	(3,186)
Accrediting Fees	35,000	28,140	(6,860)
Member's Dues	22,500	23,520	1,020
Miscellaneous	-	1,266	1,266
	<u>802,500</u>	<u>835,405</u>	<u>32,905</u>
EXPENSES			
Salaries - Regular	145,000	148,912	(3,912)
Breeder's Awards	85,000	88,336	(3,336)
Stallion Awards	70,000	66,150	3,850
Contract Labor	40,000	40,000	-
Casual Labor	25,000	25,052	(52)
Insurance	55,000	41,405	13,595
Profit Sharing Expense	37,904	37,904	-
Purse Supplements	50,000	30,000	20,000
Meetings and Banquets	18,000	22,138	(4,138)
Office Supplies	12,000	19,433	(7,433)
Advertising and Promotion	25,000	18,899	6,101
Telephone	15,000	18,683	(3,683)
General Accounting and Legal	15,000	17,370	(2,370)
Depreciation	15,000	15,368	(368)
Travel	13,000	13,677	(677)
Payroll Taxes	12,000	13,658	(1,658)
Audit	12,000	12,186	(186)
Legal - Lawsuit	15,000	9,017	5,983
Rent	9,000	9,000	-
Salaries - Bonus	-	8,825	(8,825)
Postage and Shipping	11,000	8,403	2,597
Trophies	7,500	8,010	(510)
Printing	9,000	5,618	3,382
Computer Fees	15,000	5,310	9,690
Contributions	4,000	4,025	(25)
Other	3,500	4,770	(1,270)
Expense Reimbursement	-	3,170	(3,170)
Equipment Rental	5,000	2,513	2,487
Dues and Subscriptions	3,500	2,243	1,257
Repairs and Maintenance	6,000	2,094	3,906
Pedigree Research	-	714	(714)
	<u>733,404</u>	<u>702,883</u>	<u>30,521</u>
Total Expenses			
Excess Revenues Over Expenses	<u>\$ 69,096</u>	<u>\$ 132,522</u>	<u>\$ 63,426</u>

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

**SCHEDULE VIII
COMPARISON OF BUDGET TO ACTUAL
LOUISIANA HORSE**

	For The Years Ended December 31,		Favorable (Unfavorable)
	Budget	Actual	Variance
REVENUES			
Publications	\$ 100,000	\$ 58,889	\$ (41,111)
Total Revenues	<u>100,000</u>	<u>58,889</u>	<u>\$ (41,111)</u>
EXPENSES			
Publication Expense	40,000	47,969	(7,969)
Salaries	25,000	26,120	(1,120)
Depreciation	6,000	6,244	(244)
Payroll Taxes	2,400	2,503	(103)
Postage and Shipping	3,500	2,359	1,141
Office Supplies	750	1,557	(807)
Telephone	2,000	728	1,272
Bad Debts	-	533	(533)
Travel	500	360	140
Dues and Subscriptions	225	325	(100)
Casual Labor	3,000	300	2,700
Utilities	600	300	300
Advertising and Promotion	250	140	110
Other	-	40	(40)
Printing	-	6	(6)
Computer Fees	750	-	750
Repairs and Maintenance	500	-	500
Pedigree Research	9,000	8,287	713
Federal Express	750	941	(191)
Photos	1,500	814	686
Sales Commissions	1,000	-	1,000
Total Expenses	<u>97,725</u>	<u>99,526</u>	<u>(1,801)</u>
Excess (Deficit) Revenues Over Expenses	<u>\$ 2,275</u>	<u>\$ (40,637)</u>	<u>\$ (42,912)</u>



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Louisiana Thoroughbred Breeders Association

We have audited the financial statements of **LOUISIANA THOROUGHbred BREEDERS ASSOCIATION** (a non-profit organization) as of and for the year ended December 31, 1999, and have issued our report thereon dated May 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **LOUISIANA THOROUGHbred BREEDERS ASSOCIATION**'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements 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 that are required to be reported *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit we considered **LOUISIANA THOROUGHbred BREEDERS ASSOCIATION**'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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International Affiliation with Accounting Firms Associated, Inc.

This report is intended for the information and use of the Association's management and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Schultz, Schut, Long & Neal

A Professional Accounting Corporation

May 30, 2000

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
STATUS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 1999

Condition: Improper Use of Funds From Off-Track Betting Facilities. The Association did not use all funds received from Off-Track Betting (OTB) facilities for the purposes required by state law. Louisiana Revised Statute (R.S.) 4:217(B)(2)(a) requires 9.1% of those funds collected by OTB facilities which are designated for purse supplements to be distributed to the Association to supplement purses for allowance, handicap, and stakes races for accredited Louisiana bred horses and to pay breeders' awards to breeders of accredited Louisiana bred horses and to pay breeders' awards to breeders of accredited Louisiana bred horses finishing first, second, or third in open races at any track in Louisiana. For calendar year 1998, the Association transferred 10% of these monies to its Operating Fund to be used for administrative expenses.

Current Status: The Association is no longer transferring 10% of the 9.1% OTB receipts. Instead, it is transferring the interest income earned on the 9.1% funds on deposit in the Association's accounts. Revised Statute (R.S.) 4:217(B)(2)(a) does not concern itself with the interest earned on these funds.