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LOUISIANA THROUGHBRED  
BREEDERS ASSOCIATION  
LOUISIANA CHAMPIONS DAY FUND

December 31, 1985

Audit of Financial Statements

December 31, 1985

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 9-9-86



Board of Directors  
Louisiana Thoroughbred Breeders Association  
Louisiana Champions Day Fund

#### Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities and fund balance - modified cash basis of the Louisiana Champions Day Fund of the LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION (a nonprofit organization) as of December 31, 1985, 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 management of the LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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 revenue and the 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.

A Professional Accounting Corporation

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Member of AICPA. We also are CMAA Practice Group, Computer Practice Group and CPA Practice Group in  
International affiliation with the accounting firm: Grant Thornton, Inc.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances of the Louisiana Champions Day Fund of the LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION as of December 31, 1995, and its revenues and expenses and changes in fund balance for the year then ended on the basis of accounting as described in Note A.

As discussed in Note A, the financial statements being presented are only for the fund referred to above and do not include the assets, liabilities, and fund balances and the revenues and expenses of the LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION that are recorded in its Operating, Louisiana Horse, SALAM Races, Other Races, and Political Action C (regul) funds. Accordingly, the accompanying financial statements are not intended to present the financial position of the LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION as of December 31, 1995, or its results of operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 24, 1996, on our consideration of the Louisiana Champions Day Fund of the LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION's internal control structure and a report dated May 24, 1996, on its compliance with laws and regulations.

*Lee Peter, Arthur Long & Sons*

A Professional Accounting Corporation

May 24, 1996

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION  
LOUISIANA CHAMPIONS DAY FUND  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -  
MODIFIED CASH BASIS  
December 31, 1985

Cash - Checking	<u>\$ 9,262</u>
Total Assets	<u>\$ 9,262</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
Fund Balance	<u>\$ 9,262</u>
Total Liabilities and Fund Balance	<u>\$ 9,262</u>

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION  
 LOUISIANA CHAMPIONSHIP DAY FUND  
 STATEMENT OF REVENUES AND EXPENSES - MODIFIED CASH BASIS  
 For The Year Ended December 31, 1985

**REVENUES**

Awards - Kentucky Derby Day	\$ 134,928
Awards - 9.1% Supplement	108,800
Nominations	31,700
Tickets - Banquet	11,980
Stallion Fees	11,900
Sponsorship	10,000
Interest	4,317
Miscellaneous	3,310
	<u>388,135</u>
<b>Total Revenue</b>	<u><b>388,135</b></u>

**EXPENSES**

Prize Paid Out	244,694
Kentucky Derby Day Funds	41,628
Advertising and Promotion	32,572
Meetings and Banquets	10,520
Casual Labor	9,800
Trophies	5,800
Printing	2,026
Travel	989
Postage and Shipping	228
Office Supplies	148
Telephone	80
Other	7
	<u>357,180</u>
<b>Total Expenses</b>	<u><b>357,180</b></u>

**(DEFICIENCY) OF REVENUES**

<b>OVER EXPENSES</b>	<u><b>\$ 409,045</b></u>
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The accompanying notes are an integral part of these financial statements.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION  
LOUISIANA CHAMPIONSHIP DAY FUND  
STATEMENT OF CHANGES IN FUND BALANCE - MODIFIED CASH BASIS  
For The Year Ended December 31, 1995

BALANCE - BEGINNING OF YEAR	\$ 12,228
DEFICIENCY OF REVENUES OVER EXPENSES	(48,845)
TRANSFER OF FUNDS IN SUPPORT OF THE ASSOCIATION'S PROGRAM	<u>46,870</u>
BALANCE - END OF YEAR	<u>\$ 9,253</u>

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

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION  
LOUISIANA CHAMPIONS DAY FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION is a non-profit organization which seeks to promote and further the thoroughbred breeding industry within the state of Louisiana. The Association accounts for its activities through six different funds. This report is intended to report only the activity within the Louisiana Champions Day Fund.

**BASIS OF ACCOUNTING**

The Association's policy is to prepare its financial statements on a modified cash basis. 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 and expenses, payables and deferred expenses which may be material in amount, are not reflected in the accompanying financial statements, which are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles. If an expenditure results in the acquisition of an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated over the estimated useful life of the asset.

**INCOME TAXES**

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

**NOTE B**

**LOUISIANA CHAMPIONS DAY**

The Association is authorized 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. It was enacted by the state legislature so as to include both thoroughbred and quarter horse races on the same racing program. The racing program on Louisiana Champions Day shall consist of seven races for thoroughbreds and three races for quarterhorses.

Louisiana Champions Day purses shall be determined by the Association after consultation with the Louisiana Quarterhorse Breeders Association and shall be funded through purses offered by participating racing associations, funds from Kentucky Derby Day, corporate contributions, and matching funds from the appropriate breeders association. In addition to the matching funds, the Association receives \$100,000 of its receipts of 9.1% of the commissions collected by the off-track betting facilities, throughout the State, that are designated for purse supplements.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION  
LOUISIANA CHAMPIONS DAY FUND  
NOTES TO FINANCIAL STATEMENTS

**NOTE B**

**LOUISIANA CHAMPIONS DAY (Continued)**

Kentucky Derby Day funds represent all fees from pari-mutuel wagering on races held on the first Saturday in May. These funds are paid to the Association by order of the State of Louisiana Department of Economic Development and are required to be placed in an interest-bearing account.

During the year ended December 31, 1995, the Association received \$134,028 of Kentucky Derby Day funds. These receipts were used, in full, to supplement Louisiana Champions Day purses, with \$65,259 paid towards thoroughbred race purses and \$68,769 paid toward quarter horse race purses.

**NOTE C**

**TRANSFER OF FUNDS IN SUPPORT OF THE ASSOCIATION'S PROGRAM**

During the year ended December 31, 1995, the Association transferred \$46,079 out of its operating fund in order to support the Louisiana Champions Day.





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS**

Board of Directors  
Louisiana Thoroughbred Breeders Association  
Louisiana Champions Day Fund

We have audited the financial statements of the Louisiana Champions Day Fund of the **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** (a nonprofit organization) as of and for the year ended December 31, 1998, and have issued our report thereon dated May 24, 1999.

We have conducted our audit in accordance with generally accepted auditing standards and Government Accounting Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with modified basis of cash receipts and disbursements. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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In planning and performing our audit of the financial statements of the Louisiana Charismatic Day Fund of the LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION, for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 conditions involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operations that we have reported to the management of LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION, in a separate letter dated June 4, 1996.

This report is intended for the information of management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Lo. Audit, Arthur Young & Co.*

A Professional Accounting Corporation

May 31, 1996



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Louisiana Thoroughbred Breeders Association  
Louisiana Champions Day Fund

We have audited the financial statements of the Louisiana Champions Day Fund of the LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION (a nonprofit organization) as of and for the year ended December 31, 1995, and have issued our report thereon dated May 24, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts, and grants applicable to the Louisiana Champions Day Fund of the LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION is the responsibility of the Association's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Louisiana Champions Day Fund of the LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instance of noncompliance that are required to be reported under Government Auditing Standards.

A Professional Accounting Corporation

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This report is intended for the information of management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*As Peter, David, Henry & Sons*

A Professional Accounting Corporation

May 24, 1990



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June 4, 1986

Mr. Jack Lehman  
Louisiana Thoroughbred Breeders Association

Dear Mr. Lehman:

We would like to take this opportunity to thank you and the employees of Louisiana Thoroughbred Breeders Association for the cooperation given us during our audit of Louisiana Thoroughbred Breeders Association for the year ended December 31, 1985. During the course of our audit, we discussed items of an operational nature with management. Presented below is an area that we believe should be brought to your attention, together with a suggested solution for your consideration and implementation.

Non Budgeted Expenses

We noted expenses that were incurred but were not included in the approved budget. Also, we noted instances where actual expenses exceeded the amount budgeted. In an effort to validate these expenses, we examined the minutes of the board meetings for approval of these expenditures. However, in numerous instances, we were unsuccessful in obtaining written board approval.

Criteria should be established that would require written board approval for those expenses that are anticipated to exceed the amount budgeted for that specific expense line item, as well as for those expense line items that were not budgeted at all. In addition, a budget to actual variance comparison be made monthly in order to monitor expenses and to approximate those that are going to exceed budget.

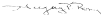
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor, and, where appropriate,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

Mr. Jack Lehman  
Louisiana Thoroughbred Breeders Association  
June 4, 1996  
Page 2

This letter is intended for the Finance Committee of Louisiana Thoroughbred Breeders Association. If you have any questions or comments about our observation and recommendations, please call us.

Sincerely,

**LaPORTE, SEHRT, BISHOP & HAND**  
A Professional Accounting Corporation



Gregory F. Hennig  
Certified Public Accountant

cc: Mr. Tom Early

cc: Mr. Tom Early