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THE LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

Report on Audit of Financial Statements
December 31, 1996

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 JUL 3 0 1997

THE LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

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The Board of Directors
The Louisiana Horsemen's Medical Benefit Trust
New Orleans, Louisiana

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statements of financial position of The Louisiana Horsemen's Medical Benefit Trust (a non-profit organization) as of December 31, 1996 and 1995, and the related statements of activities and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide. Those standards require that I 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Louisiana Horsemen's Medical Benefit Trust as of December 31, 1996 and 1995, and the changes in its net assets and its cash flow for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, in 1996 the organization adopted the provision of the Financial Accounting Standards Board's statement of Financial Accounting Standards No. 124 Accounting for Certain Investments Held by Not-For-Profit Organizations.

In accordance with Government Auditing Standards, I have also issued a report dated June 3, 1997, on my consideration of The Louisiana Horsemen's Medical Benefit Trust's internal control structure and a report dated June 3, 1997, on its compliance with laws and regulations.

Richard P. Reiser, Jr.
Certified Public Accountant

June 3, 1997

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

I have audited the financial statements of The Louisiana Horsemen's Medical Benefit Trust (a non-profit organization) as of and for the year ended December 31, 1996 and 1995, and have issued my report thereon dated June 3, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide. Those standards require that I 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 Horsemen's Medical Benefit Trust is the responsibility of The Louisiana Horsemen's Medical Benefit Trust's management. As a part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of The Louisiana Horsemen's Medical Benefit Trust's compliance with certain provisions of laws, regulations, contracts and grants. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of non-compliance that are required to be reported under government auditing standards.

This report is intended for the information of the audit committee, management, and The State of Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Richard P. Reiser, Jr.
Certified Public Accountant

June 3, 1997

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INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

I have audited the financial statements of The Louisiana Horsemen's Medical Benefit Trust (a non-profit organization) as of and for the year ended December 31, 1996 and 1995 and have issued my report thereon dated June 3, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of The Louisiana Horsemen's Medical Benefit Trust is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements 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 authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. 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.

In planning and performing my audit of the financial statements of The Louisiana Horsemen's Medical Benefit Trust for the year ended December 31, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained and understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the financial statements.

The reportable conditions noted are as follows:

> Members are not receiving as much assistance as in the past while the organizations's cash reserves continue to increase.
>
> Budgeting is not being done timely and no long range forecasting is being done by management.
>
> Appears members do not fully understand the plan and what it can do for them.

A material weakness is a reportable condition in which the design or operation of the specific 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.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe none of the reportable conditions described in the accompanying schedule of reportable conditions are material weaknesses.

In connection with the audit, I reviewed the prior year's reportable conditions on the internal control structure, including applicable internal administrative controls to determine whether management had implemented appropriate corrective action to correct the conditions giving rise to those findings. The results of my review indicate that management has not taken appropriate corrective action with respect to the prior year findings as described in the Schedule of Prior Reportable Conditions.

This report is intended for the information of the board of directors, management, the State of Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Richard P. Reiser, Jr.
Certified Public Accountant

June 3, 1997

THE LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

SCHEDULE OF PRIOR REPORTABLE CONDITIONS
For the Year Ended December 31, 1996

The prior audit report dated May 29, 1996 contained a reportable condition. The following is the status of that finding:

PRIOR YEAR REPORTABLE CONDITIONS - NO BUDGET

The Louisiana Horsemen's Medical Benefit Trust had no budget for 1995 nor does it have one for 1996. Also no long range forecasting has been done.

CURRENT STATUS

Management did devise a budget, but it was late in the year and no long range forecasting has been done. This will be repeated under reportable conditions.

THE LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

SCHEDULE OF REPORTABLE CONDITIONS
For the Year Ended December 31, 1996

FINDING

Medical trust cash reserves have increased while benefits paid to members have been reduced. Since 1993 there have been across the board decreases in claims paid to members for death, hospital, prescription, dental, doctor and eye glass benefits.

RECOMMENDATION

The trustees need to study and evaluate this situation since the purpose of the organization is to provide medical assistance to members who are in need.

FINDINGS

There was no budget for medical assistance and the administrative budget was not arrived at until late in the year and therefore not available early in the year when it could have been put to use.

RECOMMENDATION

Budgeting should be done in a timely manner in order to use it as a management planning tool in exposing *unwelcomed trends early on. Management also needs to project currently and in the future planned* medical assistance to members in order to properly manage funds and help members who are in need since this is why the organization exists in the first place.

FINDING

As a result of audit findings and discussion with staff it appeared there are numerous horsemen who do not understand the medical coverage offered by the trust or did not understand how health insurance worked or maybe did not even have health insurance. There also appears to be horsemen who are not aware of the plan or know that family members are also covered.

RECOMMENDATION

Since the purpose of the medical trust is to provide medical assistance to its members, time spent educating your members is essential. You could explain to those who do not have insurance how affordable it could be if they used a high deductible of which the medical trust could pay a large portion. Spend time reaching your members. Have a medical trust representative go to each track site, announce it in advance. The representative could make members aware of the plan and how it works, that family members are covered, etc. Print up an up to date booklet explaining the plan and keep them at each race track site. You have the funds to do this. Give your members every chance to help themselves.

THE LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

STATEMENTS OF FINANCIAL POSITION
December 31, 1996 and 1995

	1996	1995
Assets		
Current assets		
Cash and cash equivalents	$ 571,122	$ 146,368
Certificate of deposit	95,000	95,000
Due from related party	0	10,318
Total Current Assets	666,122	251,686
Non-current assets		
Investments	82,128	84,538
Land, buildings and equipment (net)	31,701	32,975
Total assets	$ 779,951	$ 369,199
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 15,007	$ 317
Due to related party	8,716	20,539
Total current liabilities	23,723	20,856
Net Assets		
Unrestricted	756,228	348,343
Temporarily restricted	0	0
Permanently restricted	0	0
Total net assets	756,228	348,343
Total liabilities and net assets	$ 779,951	$ 369,199

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

THE LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

STATEMENTS OF ACTIVITIES
Years Ended December 31, 1996 and 1995

Unrestricted Net Assets	1996	1995
Revenues		
Interest income	$ 4,492	$ 5,137
Dividend income	5,365	3,665
Medical plan revenue	1,417,290	1,137,358
Total unrestricted revenue	1,427,147	1,146,160
Expenses		
Benefits paid to participants	821,256	1,134,569
Administrative expenses	195,150	220,562
	1,016,406	1,355,131
Increase (decrease) in unrestricted net assets before cumulative effect of change of accounting principal	410,741	(208,971)
Cumulative effect on prior year of a change in method of accounting for investments	(38,577)	0
Increase (decrease) in unrestricted net assets	372,164	(208,971)
Increase in temporarily restricted net assets	0	0
Increase in permanently restricted net assets	0	0
Increase (decrease) in net assets	372,164	(208,971)
Net assets at beginning of year	348,343	549,796
Decrease in allowance for unrealized loss on marketable equity securities	35,721	7,518
Net assets at end of year	$ 756,228	$ 348,343

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

THE LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

STATEMENTS OF CASH FLOWS
Years Ended December 31, 1996 and 1995

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 372,164	$ (208,971)
Adjustments to reconcile increase in net assets to		
Net cash provided by operations		
Cumulative effect of change in account principles		
Reflect investments at fair value	38,577	0
Depreciation	1,274	1,274
Unrealized losses on investments	(446)	0
(Increase) decrease in:		
Due from related party	10,318	44,684
Increase (decrease) in:		
Accounts payable and accrued expenses	14,690	(248)
Due to related party	(11,823)	(16,465)
NET CASH USED BY OPERATING ACTIVITIES	424,754	(179,726)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	0	(305)
Net cash used by investing activities	0	(305)
CASH FLOWS FROM FINANCING ACTIVITIES	0	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	424,754	(180,031)
CASH & CASH EQUIVALENTS AS OF BEGINNING OF YEAR	146,368	326,399
CASH & CASH EQUIVALENTS AS OF END OF YEAR	$ 571,122	$ 146,368

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

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND OPERATIONS:

The Louisiana Horsemen's Medical Benefit Trust was formed as a benevolent organization for Louisiana horsemen to provide assistance in time of illness. Its principal source of revenue is medical plan revenue that comes from the Louisiana Horsemen's Benevolent & Protective Association, Inc.

BASIS OF ACCOUNTING:

The 1996 financial statements have been prepared utilizing the accrual basis of accounting. The 1995 financial statements were prepared on the cash basis of accounting and no adjustments have been made since they were not material to the financial statements taken as a whole.

INCOME TAXES:

The Louisiana Horsemen's Medical Benefit Trust files as a taxable trust.

FINANCIAL STATEMENT PRESENTATION:

Under Statement of Financial Account Standards (SFAS) No. 117, *Financial Statement of Not-For-Profit Organizations*, the Organization is required to report information regarding its financial position and activities accounting to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

UNRESTRICTED NET ASSETS - Net assets that are not subject to donor-imposed stipulations.

TEMPORARILY RESTRICTED NET ASSETS - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.

PERMANENTLY RESTRICTED NET ASSETS - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the organization.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

CONTRIBUTED SERVICES

During 1996, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 2 - PROPERTY AND EQUIPMENT

Property, plant and equipment are carried at a cost. Depreciation is computed using the straight-line or double declining balance method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and 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. The following is a summary of the major classes of property and equipment and the related appreciation.

	COST	ACCUMULATED DEPRECIATION	NET
Buildings	$ 40,142	$ 8,441	$ 31,701

NOTE 3 - INVESTMENTS

In prior years, the Organization recorded investments in securities at cost. Effective January 1, 1996, the Organization adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations.* Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. As permitted by SFAS No. 124, the Organization has applied the provisions of this new statement by reflecting the cumulative effect of the change, amounting to $38,577 in the statement of activities. The adjustment represents unrealized losses on investments that had not previously been recognized in the financial statements.

THE LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

NOTES TO FINANCIAL STATEMENTS
December 31, 1996

NOTE 4 - RELATED PARTY TRANSACTIONS

The Louisiana Horsemen's Medical Benefit trust shares certain overhead costs with The Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. The Louisiana HBPA 1993, Inc. generally pays the overhead expenses and then is reimbursed. In 1996 the Louisiana Horsemen's Medical Benefit trust reimbursed the Louisiana HBPA 1993, Inc. $108,502 for its share of overhead expenses, such as telephone, office supplies, occupancy expense, insurance, etc. At December 31, 1996 the Louisiana Horsemen's Medical Benefit Trust still owed the Louisiana HBPA 1993, Inc. $8,716. The Medical Trust also paid $10,800 in rent to the Louisiana HBPA 1993, Inc. for common office space shared.

The $1,417,290 of medical plan revenues is received from the Louisiana Horsemen's Benevolent and Protective Association, Inc. (LHBPA, Inc.). The LHBPA, Inc. is a pass through entity. The 4% medical plan revenue money is received by the LHBPA, Inc. from the race tracks and then it is passed on to the Louisiana Horsemen's Medical Benefit Trust. No medical benefits are paid from the LHBPA, Inc. They are paid from the Louisiana Horsemen's Medical Benefit Trust. The 4% money goes to the LHBPA, Inc. first, due to state legislation. A separate audit report has been issued regarding the Louisiana Horsemen's Benevolent and Protective Association, Inc. and should be considered when reading these financial statements.

NOTE 5 - INVESTMENTS

Investments are stated at fair value and consist of:

	Cost	Fair Value	Unrealized (Depreciation)
Government Securities	$ 120,705	$ 82,128	$ (38,577)

These funds represent board designated amounts set aside in prior years for the purpose of providing an income stream for annual operations.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 1996.

Dividend income	$ 5,365
Unrealized losses	$ (38,577)
	$ (33,212)