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**LOUISIANA HORSEMEN'S DEVELOPMENT AND  
PROTECTIVE ASSOCIATION, INC.**

**Report on Audit of Financial Statements  
December 31, 1999**

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

Release Date 01/11/2000

LOUISIANA HORSEMAN'S BENEVOLENT  
AND PROTECTIVE ASSOCIATION, INC.

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# Richard P. Reiser

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Louisiana Horsemen's Benevolent and Protective Association, Inc.  
New Orleans, Louisiana

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of the Louisiana Horsemen's Benevolent and Protective Association, Inc. (a non-profit organization) as of December 31, 1995, and the related statements of activities and cash flow for the year 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 audit.

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. 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 audit provides 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 Benevolent and Protective Association, Inc. as of December 31, 1995, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 3 to the financial statements, the Company has never received a tax exempt ruling from the Internal Revenue Service. The ultimate outcome of this uncertainty cannot presently be determined. Accordingly, the accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, I have also issued a report dated June 3, 1997, on my consideration of the Louisiana Horsemen's Benevolent and Protective Association, Inc.'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

# Richard P. Reiser

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New Orleans, Louisiana

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

I have audited the financial statements of the Louisiana Horsemen's Benevolent and Protective Association, Inc., a nonprofit organization) as of and for the year ended December 31, 1996, 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 Government Audit Guide. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

Compliance with laws, regulations, contracts, and grants applicable to the Louisiana Horsemen's Benevolent and Protective Association, Inc. is the responsibility of the Louisiana Horsemen's Benevolent and Protective Association, Inc.'s management. As a part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, I performed tests of the Louisiana Horsemen's Benevolent and Protective Association, Inc.'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

# Richard P. Reiser

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New Orleans, Louisiana

## INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE

I have audited the financial statements of the Louisiana Horsemen's Benevolent and Protective Association, Inc. (a nonprofit organization) as of and for the year ended December 31, 1998 and have issued my report thereon dated June 5, 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. These 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 Benevolent and Protective Association, Inc. 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 recorded 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 Benevolent and Protective Association, Inc. for the year ended December 31, 1998, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an 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:

The Louisiana HBPA, Inc. will be not able to recede in its 6% share of pure money.

The tax status of the Louisiana HBPA, Inc. hasn't been addressed.

No budgets were prepared.

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 accounts 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 opinion is not intended to limit the distribution of this report, which is a matter of public record.



Richard F. Reim, Jr.  
Certified Public Accountant

June 3, 1997

**LOUISIANA HORSESMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, INC.**  
**Schedule of Prior and Current Reportable Conditions**  
**For the Year ended December 31, 1996**

The prior audit report on Internal control dated May 29, 1996, contained some conditions that as of the date of this report the Louisiana HEPA, Inc. has not yet resolved. These conditions have existed for a number of years. The following schedule discloses the status of these findings:

**4% MEDICAL PLAN MONEY - BOTH A PRIOR YEAR AND CURRENT YEAR REPORTABLE CONDITION**

Although computer programming efforts were observed, the Louisiana HEPA, Inc. is still unable to recalculate its 4% share of purse money that is distributed from the tracks, so as to allow the Louisiana HEPA, Inc. an independent means of verifying the amounts realized are correct.

**CURRENT STATUS**

The Louisiana HEPA, Inc. is still not able to perform this task.

**RECOMMENDATION**

The Louisiana HEPA, Inc. should pursue a means of verifying this money. The calculations are complex and management needs to know that the 4% money received is being correctly calculated and distributed to them by the tracks.

**TAX EXEMPT STATUS - BOTH A PRIOR YEAR AND CURRENT YEAR REPORTABLE CONDITION**

Since the Louisiana HEPA, Inc. has never received its tax exemption from the Internal Revenue Service, I recommend the board of directors resolve this matter as soon as possible.

**CURRENT STATUS**

This situation has not been acted on.

**RECOMMENDATIONS**

Top priority should be given to this matter before any problems arise.

**NO BUDGETING DONE IN 1996**

The Louisiana HEPA, Inc. did not develop a budget for the 4% of purse money that it receives from the race tracks in Louisiana.

**RECOMMENDATION**

Budgeting is very important in developing an understanding and an anticipation of the money that you will receive. It is a must for planning.

## LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION  
December 31, 1999**Assets****Current assets:**

|                         |                  |
|-------------------------|------------------|
| Cash & cash equivalents | \$ 30,232        |
| Accounts receivable     | <u>34,623</u>    |
| Total Current Assets    | <u>64,855</u>    |
| Total Assets            | <u>\$ 64,855</u> |

**Liabilities**

|                   |             |
|-------------------|-------------|
| Total Liabilities | <u>\$ 0</u> |
|-------------------|-------------|

**Net Assets**

|                                  |                  |
|----------------------------------|------------------|
| Unrestricted                     | 64,855           |
| Temporary restricted             | 0                |
| Permanently restricted           | <u>0</u>         |
| Total net assets                 | <u>64,855</u>    |
| Total liabilities and net assets | <u>\$ 64,855</u> |

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



LOUISIANA FISHMEN'S RECREATION AND PROTECTIVE ASSOCIATION, INC.

STATEMENT OF ACTIVITIES  
Year Ended December 31, 1995

Unrestricted Net Assets

Revenues:

|  |                  |
|--|------------------|
| 4% medical plan revenue                | \$ 1,368,725     |
| Total unrestricted revenue and support | <u>1,368,725</u> |

Expenses:

|  |                  |
|--|------------------|
| Program services                           | 1,417,290        |
| Supporting services - management & general | <u>0</u>         |
| Total expenses                             | <u>1,417,290</u> |

|   |          |
|---|----------|
| Decrease in unrestricted net assets           | (48,565) |
| Increase in temporarily restricted net assets | 0        |
| Increase in permanently restricted net assets | <u>0</u> |

Decrease in net assets (48,565)

Net assets at beginning of year 113,420

Net assets at end of year \$ 64,855

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

## LOUISIANA HOMESMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, INC.

## STATEMENT OF CASH FLOWS

Year Ended December 31, 1988

## CASH FLOWS FROM OPERATING ACTIVITIES

|   |                  |
|---|------------------|
| Change in net assets  | \$ 148,665       |
| Adjustments to reconcile decrease in net assets to<br>Net cash provided by operations |                  |
| (Increase) decrease in:   |                  |
| Accounts receivable   | <u>134,623</u>   |
| NET CASH USED BY OPERATING ACTIVITIES   | <u>163,188</u>   |
| CASH FLOWS FROM INVESTING ACTIVITIES  | 0                |
| CASH FLOWS FROM FINANCING ACTIVITIES  | <u>0</u>         |
| NET DECREASE IN CASH AND CASH EQUIVALENTS   | 83,188           |
| CASH & CASH EQUIVALENTS AS OF BEGINNING OF YEAR                                       | <u>113,420</u>   |
| CASH & CASH EQUIVALENTS AS OF END OF YEAR   | <u>\$ 30,232</u> |

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

LOUISIANA HORSEMAN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION AND OPERATIONS**

The Louisiana Horseman's Benevolent and Protective Association, Inc. was formed in 1988 as a protective association for Louisiana horsemen's race horse 21. It is a benevolent and protective association for horsemen. The LHBPA was set up to, among other things, mediate on behalf of individual members when problems arise with track managements or upon spring commissions, negotiate fair distributions at tracks and monitor state and federal legislative developments in the interest of horsemen.

**BASE OF ACCOUNTING**

The financial statements have been prepared utilizing the accrual basis of accounting.

**INCOME TAXES**

No provision for income taxes has been made, as the Association is a not for profit organization and the Internal Revenue Service has neither rejected nor accepted it as a tax exempt organization. The LHBPA has filed Form 990 each year as a 501 (c)(6) organization.

**FINANCIAL STATEMENT PRESENTATION**

Under Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according 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.

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1986

**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 these estimates.

**CONTRIBUTED SERVICES**

During 1986, 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 - RELATED PARTY**

The Louisiana Horsemen's Benevolent and Protective Association, Inc. (LHBPA, Inc.) is a pass through entity. The 4% medical plan expense money is received by the LHBPA, Inc. and then passed onto the Louisiana Horsemen's Medical Benefit Trust. The Louisiana Horsemen's Medical Benefit Trust then actually administers and pays out the medical plan payments to its members. A separate audit report has been issued regarding the Louisiana Horsemen's Medical Benefit Trust and should be considered when reading these financial statements. In 1986 the LHBPA, Inc. paid 41,417,280 to the Louisiana Horsemen's Medical Benefit Trust.

**NOTE 3 - CONTINGENT LIABILITY**

The LHBPA, Inc. is a not for profit organization and does not necessarily have to file for exempt status as a 501 (c) (3) organization with the Internal Revenue Service to be considered tax exempt. However, since the LHBPA, Inc. has not received a tax exempt ruling from the service there is uncertainty about any tax liability that could arise if the IRS were to question the tax status of the LHBPA, Inc.

**NOTE 4 - COMMITMENTS & CONTINGENCES**

The Organization receives all of its support as a result of the horse racing industry. A significant reduction in the level of this support, would have a material effect on the Organization's activities.

## LOUISIANA HORSEMAN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1998

|   | <u>Program<br/>Services</u> | <u>Supporting<br/>Services<br/>Management<br/>and General</u> | <u>Total</u>        |
|---|-----------------------------|---|---------------------|
| Money passed through to the Louisiana<br>Horseman's Medical Benefit Trust | \$ 1,417,390                | \$ _____ 0  | \$1,417,390         |
| <b>Total Program Expenses</b>   | <b>\$ 1,417,390</b>         | <b>\$ _____ 0</b>   | <b>\$ 1,417,390</b> |

See accountant's report on additional information