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**LOUISIANA THOROUGHBRED
BREEDERS ASSOCIATION**

December 31, 1991

Audit of Financial Statements

December 31, 1991

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.

OCT 07 1998

Release Date _____

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Board of Directors
Louisiana Thoroughbred Breeders Association

Independent Auditors' 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, 1991 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 organization's management. 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. 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 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.

As discussed in Note F, 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 \$58,223.

In our opinion, except for the effects of recording accounts receivable, as discussed in the preceding paragraph, 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, 1991, and its revenue and expense and changes in fund balance for the year then ended on the basis of accounting as described in Note A.

LaPorte, Sehart, Romig & Hand

A Professional Accounting Corporation

March 23, 1992

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE-MODIFIED CASH BASIS
 December 31, 1991
 With Comparative Totals for 1990

	Unrestricted		Restricted		Totals (Memorandum Only)		
	Operating	Louisiana Horse	Louisiana Champions Day	SALAM	OTB - Open Races	1991	1990
ASSETS							
CURRENT ASSETS							
Cash - Checking	\$ 110,805	\$ 107,844	\$ 8,300	\$ 27,088	\$ 2,544	\$ 256,581	\$ 321,949
Investments - Certificates of Deposit and Treasury Notes	180,000	100,000	75,855	-	1,046,242	1,402,097	943,632
Accounts Receivable	-	58,223	-	-	75,000	58,223	45,068
Due From Other Funds	-	-	-	-	715	75,000	-
NSF Checks Held	715	-	-	-	-	715	1,415
Total Current Assets	<u>291,520</u>	<u>266,067</u>	<u>84,155</u>	<u>27,088</u>	<u>1,123,786</u>	<u>1,792,616</u>	<u>1,312,064</u>
PROPERTY AND EQUIPMENT							
Buildings, Furniture, Fixtures and Equipment	255,925	31,303	-	-	-	287,228	282,944
Less: Accumulated Depreciation	<u>143,427</u>	<u>5,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,111</u>	<u>124,842</u>
Property and Equipment - Net	<u>112,498</u>	<u>25,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,117</u>	<u>158,102</u>
OTHER ASSETS							
Utility Deposits	875	-	-	-	-	875	875
Investment - Breeders Sales Company of La., Inc.	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Total Other Assets	<u>20,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,875</u>	<u>20,875</u>
	<u>\$ 424,893</u>	<u>\$ 291,686</u>	<u>\$ 84,155</u>	<u>\$ 27,088</u>	<u>\$ 1,123,786</u>	<u>\$1,951,608</u>	<u>\$1,491,041</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Deposits - Futurity, Derby and Oaks Races	\$ 88,274	\$ -	\$ -	\$ -	\$ -	\$ 88,274	\$ 105,993
Due to Other Funds	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>-</u>
Total Liabilities	<u>88,274</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,274</u>	<u>105,993</u>
Total Liabilities	<u>336,619</u>	<u>291,686</u>	<u>9,155</u>	<u>27,088</u>	<u>1,123,786</u>	<u>1,788,334</u>	<u>1,385,048</u>
FUND BALANCE	<u>\$ 424,893</u>	<u>\$ 291,686</u>	<u>\$ 84,155</u>	<u>\$ 27,088</u>	<u>\$1,123,786</u>	<u>\$1,951,608</u>	<u>\$1,491,041</u>

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES-MODIFIED CASH BASIS

December 31, 1991
 With Comparative Totals for 1990

	Unrestricted		Restricted		Totals (Memorandum Only)	
	Operating	Louisiana Horse	Louisiana Champions Day	SALAM	1991	1990
REVENUES						
Commissions - 10%	\$ 250,263	\$ -	\$ -	\$ -	\$ 250,263	\$ 357,991
Commissions - 2%	125,905	-	-	-	125,905	145,267
Awards	-	-	206,023	282,881	2,785,507	2,876,357
Purses	-	158,165	-	-	206,023	110,978
Publications	51,630	-	-	-	158,165	59,805
Accrediting Fees	15,471	2,749	5,798	1,948	116,429	85,852
Interest	20,400	-	-	-	20,400	19,100
Member Dues	6,501	-	68,730	-	75,231	2,481
Other Income	470,170	160,914	280,551	284,829	3,789,553	3,657,831
EXPENSES						
Breeders' Awards	-	-	-	329,383	2,026,407	2,306,881
Purses Paid Out	-	-	422,900	-	422,900	167,921
Salaries	135,598	55,800	-	-	191,398	17,413
Registering Expense	13,225	-	-	-	13,225	-
Pension Plan	41,630	-	-	-	41,630	-
Telephone	20,168	5,182	2,175	-	27,525	32,977
Office Supplies	15,227	1,917	1,372	-	18,516	30,971
Printing	4,436	-	7,547	-	11,983	-
Postage	6,378	4,392	1,226	6,663	18,659	-
Payroll Taxes	14,999	5,899	-	-	20,898	17,228
Computer Fees	14,606	4,083	-	-	18,689	18,983
Depreciation	21,140	3,130	-	-	24,270	21,175
Advertising and Promotion	29,443	9,491	19,855	-	58,789	30,281
Meetings	15,381	-	-	-	15,381	17,079
Dues and Subscriptions	4,230	6,420	-	-	10,650	9,335
Repairs and Maintenance	10,545	2,920	-	-	13,465	10,856
Insurance	39,663	753	-	-	40,416	31,979
Rent	7,500	8,800	-	-	16,300	18,100
Travel	7,129	5,562	1,342	-	14,033	7,976
Accounting and Legal	11,486	-	1,609	-	11,486	14,745
Trophies	2,831	-	29	-	4,440	3,522
Other	2,002	52	-	-	2,083	780
Publication Expenses	1,026	67,783	36,834	-	67,783	62,493
Casual Labor	-	-	-	-	37,860	50,720
Administrative - 10% Commissions	499	-	-	-	250,263	357,991
Contributions	957	4,003	-	-	4,960	5,789
Equipment Rental	-	1,759	-	-	1,759	5,475
Utilities	-	-	-	-	-	1,584
	420,099	187,946	494,889	336,046	3,386,267	3,242,254
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	\$ 50,071	\$ (27,032)	\$ (214,338)	\$ (51,217)	\$ 403,286	\$ 415,577

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
 STATEMENT OF CHANGES IN FUND BALANCE-MODIFIED CASH BASIS
 December 31, 1991
 With Comparative Totals for 1990

	Unrestricted		Restricted		Totals (Memorandum Only)		
	Operating	Louisiana Horse	Louisiana Champions Day	SALAM	OTB - Open Races	1991	1990
BALANCE - BEGINNING OF YEAR	\$ 414,138	\$ 138,058	\$ -	\$ 38,542	\$ 794,310	\$1,385,048	\$ 969,471
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	50,071	(27,032)	(214,338)	(51,217)	645,802	403,286	415,577
TRANSFER OF FUNDS IN SUPPORT OF THE ASSOCIATION'S PROGRAMS	(127,590)	180,660	223,493	39,763	(316,326)	-	-
BALANCE - END OF YEAR	<u>\$ 336,619</u>	<u>\$ 291,686</u>	<u>\$ 9,155</u>	<u>\$ 27,088</u>	<u>\$1,123,786</u>	<u>\$1,788,334</u>	<u>\$1,385,048</u>

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

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
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.

BASIS OF ACCOUNTING

The Association's policy is to prepare its financial statements on a modified cash basis 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, with the exception of accounts receivable as mentioned in Note E, 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.

TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the combined statements - overview are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present assets, liabilities and fund balance, revenue and expense, and change in fund balance - modified cash basis in conformity with generally accepted accounting principles.

RESTRICTED FUND - SALAM

Special Accredited Louisiana Bred Maiden races are run at the various race tracks throughout the state. Eight percent of the tracks' commissions from such races are remitted to the Association. The Association, in turn, pays twenty percent of the race's earned purse to the breeders of those horses finishing first, second, or third in the race.

RESTRICTED FUND - O.T.B.

A portion of the proceeds collected by the off-track betting parlors throughout the state are transmitted to the Association to be distributed proportionately as breeders awards in open races. Also, the Association receives 1.5% of the 14% of the off-track proceeds paid by the parlors to the State of Louisiana.

INVESTMENTS

Investments are stated at cost and are comprised of Certificates of Deposit and Treasury Notes, which mature within one year. Also, as mentioned in Note D, the Association has a wholly owned subsidiary (Breeders Sales Company of La., Inc.) which is stated at cost. Use of this method does not result in a material difference from the equity method required by generally accepted accounting principles. In contrast to the Association, the subsidiary operates as a for profit corporation and is not included or consolidated in these financial statements.

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

PROPERTY AND DEPRECIATION

Property and equipment are recorded at cost. Depreciation is provided on the straight-line and accelerated methods over the estimated useful lives of the respective assets. Maintenance and repairs are charged to operations when paid. As mentioned above, betterments and renewals having an estimated useful life which extends beyond the year of acquisition, are capitalized. When property and equipment is sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations.

Depreciation charged to the unrestricted fund was \$24,270 in 1991 and \$21,175 in 1990.

DEPOSITS HELD FOR FUTURITY, DERBY & OAKS RACES

Funds received in nomination of various thoroughbreds to race in future races are accumulated for several years before the actual races are run, with the funds distributed to the winning thoroughbred owners at that time. These amounts are shown as a liability of the Association. Any interest earnings on these deposited monies is considered revenues of the Association.

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

PROPERTY AND EQUIPMENT

Major classifications of property and equipment at December 31, 1991 and 1990 are summarized below:

	USEFUL LIVES (YEARS)	<u>1991</u>	<u>1990</u>
Office Complex	20	\$ 72,703	\$ 72,703
Furniture and Fixtures	5-10	27,941	27,941
Office Equipment	5-10	161,929	157,645
Transportation Equipment	5-10	<u>24,655</u>	<u>24,655</u>
		287,228	282,944
Accumulated Depreciation		<u>149,111</u>	<u>124,842</u>
		<u>\$138,117</u>	<u>\$158,102</u>

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

NOTE C

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 contribution shall be equal to 25% of each eligible employee's annual wages and shall be paid in January of the year following the year of eligibility.

For 1989 only, the Association made quarterly payments of \$8,000 each so as to cover their liability for 1990 eligible wages.

The contributions paid for 1991 totalled \$ 41,630, while they totalled \$ -0- for 1990.

NOTE D

RELATED PARTY TRANSACTIONS

The Association is the sole shareholder of the Breeders Sales Company of La., Inc. The purpose of this company is to organize and operate horse auctions in order that breeders can have a place to sell their horses. It was formed by the Association's Board of Directors in order to keep the income of the two organizations separate.

During 1991 and 1990, the Association was paid \$ -0- for the management of the Breeders Sales Company of Louisiana, Inc. In 1991, the Breeders Sales Company of Louisiana, Inc. had a net loss of \$1,604, while in 1990, they had a loss of \$2,723.

NOTE E

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 F

LOUISIANA CHAMPIONS DAY

Louisiana Champions Day was enacted by the state legislature and included both thoroughbred and quarter horse races. Included in the purse payout was \$61,200 for quarter horses, and \$150,000 for thoroughbred horses, which were paid out of funds received by the Association from the State of Louisiana Department of Economic Development.