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**LOUISIANA THOROUGHBRED BREEDERS
ASSOCIATION**

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 OCT 07 1998

Audit of Financial Statements

December 31, 1996

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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, 1996, 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 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 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 \$17,882.

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, 1996, 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 purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 13 - 17 is presented for the purpose 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, 1995, is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which a qualified opinion dated May 24, 1996, was expressed.



A Professional Accounting Corporation

June 26, 1997

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

December 31, 1996

With Comparative Totals for 1995

ASSETS	Louisiana		Louisiana		Louisiana		Political		Totals	
	Operating	Horse	Champions	Races	Other	Action	1996	1995	(Memorandum Only)	1995
CURRENT ASSETS										
Cash and Cash Equivalents	\$ 1,216,013	\$ 20,708	\$ 54,930	\$ 13,546	\$ 843,694	\$ 3,303	\$ 2,152,193	\$ 330,441		\$ 330,441
Accounts Receivable	-	17,882	-	-	-	-	17,882	28,445		28,445
Payroll Tax Deposits	-	-	-	-	-	-	-	684		684
NSF Checks Held	50	-	-	-	-	-	50	10		10
Total Current Assets	<u>1,216,063</u>	<u>38,590</u>	<u>54,930</u>	<u>13,546</u>	<u>843,694</u>	<u>3,303</u>	<u>2,170,125</u>	<u>1,948,190</u>		<u>1,948,190</u>
PROPERTY AND EQUIPMENT										
Furniture and Equipment	73,169	56,038	-	-	-	-	129,207	243,651		243,651
Buildings	85,791	-	-	-	-	-	85,791	34,670		34,670
Automobiles	18,227	-	-	-	-	-	18,227	33,833		33,833
	177,187	56,038	-	-	-	-	233,225	312,154		312,154
Less: Accumulated Depreciation	(84,256)	(29,803)	-	-	-	-	(114,059)	(220,637)		(220,637)
Property and Equipment - Net	<u>92,931</u>	<u>26,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,166</u>	<u>91,517</u>		<u>91,517</u>
OTHER ASSETS										
Due From Breeders Sales Company	42,037	-	-	-	-	-	42,037	42,037		42,037
Investment - Breeders Sales Company	20,000	-	-	-	-	-	20,000	20,000		20,000
Cash Surrender Value - Key Man Life	20,632	-	-	-	-	-	20,632	10,072		10,072
Due From Other Funds	6,400	-	-	-	-	-	6,400	6,400		6,400
Due From IRS/Pension Plan	202	-	-	-	-	-	202	-		-
Deposits	875	-	-	-	-	-	875	875		875
Total Other Assets	<u>90,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,146</u>	<u>79,384</u>		<u>79,384</u>
Total Assets	<u>\$ 1,399,140</u>	<u>\$ 64,825</u>	<u>\$ 54,930</u>	<u>\$ 13,546</u>	<u>\$ 843,694</u>	<u>\$ 3,303</u>	<u>\$ 2,379,437</u>	<u>\$ 2,119,091</u>		<u>\$ 2,119,091</u>

	Louisiana		Louisiana		Louisiana		Political		Totals	
	Operating	Horse	Champions Day	Salam Races	Other Races	Action Council	1996	(Memorandum Only) 1995	1996	1995
LIABILITIES AND FUND BALANCE (DEFICIT)										
CURRENT LIABILITIES										
Deposits - Futurity Races	\$ 45,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,780	\$ -	\$ 44,020
Note Payable	3,801	-	-	-	-	-	-	3,801	-	-
Nominations Refundable	-	-	3,400	-	-	-	-	3,400	-	-
Accrued Payroll Taxes and Other Liabilities	782	-	-	-	-	-	-	782	-	500
Total Current Liabilities	<u>50,363</u>	<u>-</u>	<u>3,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,763</u>	<u>-</u>	<u>44,520</u>
LONG-TERM LIABILITIES										
Deposits - Futurity Races	25,790	-	-	-	-	-	-	25,790	-	28,530
Note Payable	10,062	-	-	-	-	-	-	10,062	-	-
Due to Other Funds	-	-	-	-	-	6,400	6,400	6,400	-	6,400
Total Long-Term Liabilities	<u>35,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,400</u>	<u>6,400</u>	<u>42,252</u>	<u>-</u>	<u>34,930</u>
Total Liabilities	86,215	-	3,400	-	-	6,400	6,400	96,015	-	79,450
FUND BALANCE (DEFICIT)										
	<u>1,312,925</u>	<u>64,824</u>	<u>51,530</u>	<u>13,546</u>	<u>843,694</u>	<u>(3,097)</u>	<u>2,283,421</u>	<u>2,039,640</u>	<u>-</u>	<u>2,119,091</u>
	\$ 1,399,140	\$ 64,824	\$ 54,930	\$ 13,546	\$ 843,694	\$ 3,303	\$ 2,379,437	\$ 2,119,091	\$ -	\$ 2,119,091

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES and OTHER CHANGES in FUND BALANCE - MODIFIED CASH BASIS
For The Year Ended December 31, 1996
With Comparative Totals for 1995

	Operating	Louisiana		Louisiana		Other Races	Political Action Council	Totals	
		Horse	Champions Day	Salam Races	Other Races			(Memorandum Only)	1996
REVENUES	\$ -	\$ -	\$ 100,000	\$ -	\$ 1,455,010	\$ -	\$ -	\$ 1,555,010	\$ 1,587,857
Awards - 9.1%	383,929	-	-	-	-	-	-	383,929	375,982
Fees - 14%	173,978	-	-	-	-	-	-	173,978	122,345
Commissions - 2%	-	-	-	151,515	-	-	-	151,515	178,840
Awards - 8% & 15.1%	-	-	-	-	-	-	-	144,287	134,928
Awards - Kentucky Derby Day	97,997	-	144,287	-	-	-	-	97,997	118,127
Administrative Income	-	-	-	-	-	-	-	105,517	123,476
Publications	56,536	105,517	-	429	36,550	-	-	95,816	93,756
Interest	-	-	2,302	-	-	-	-	33,500	10,000
Sponsorship	-	-	33,500	-	-	-	-	37,300	31,700
Nominations	-	-	37,300	-	-	-	-	33,374	34,500
Accrediting Fees	33,374	-	-	-	-	-	-	18,125	18,710
Member's Dues	17,075	-	-	-	-	-	1,050	28,269	4,544
Miscellaneous	10,566	6,832	10,622	-	-	-	250	13,900	11,900
Stallion Fees	-	-	13,900	-	-	-	-	9,150	-
Ticket Sales	-	-	9,150	-	-	-	-	-	-
	<u>773,455</u>	<u>112,348</u>	<u>351,060</u>	<u>151,945</u>	<u>1,491,560</u>	<u>1,300</u>	<u>2,881,667</u>	<u>2,858,645</u>	

	Louisiana				Political		Totals	
	Operating	Louisiana	Champions	Salam	Other	Action	(Memorandum Only)	
		Horse	Day	Races	Races	Council	1996	1995
EXPENSES								
Breeder's Awards	93,333	-	257,618	929,497	-	1,280,447	1,652,948	
Purse Supplements	25,850	259,419	-	167,500	-	452,769	534,894	
Salaries	142,410	36,956	-	-	-	179,367	198,777	
Administrative	-	77,312	-	97,997	-	97,997	118,127	
Publication Expenses	29,358	128	41,466	-	-	77,312	93,077	
Advertising and Promotion	52,299	-	-	-	-	70,952	98,875	
Insurance	48,387	-	-	-	-	52,299	43,904	
Stallion Awards	46,413	-	-	-	-	48,387	66,208	
Profit Sharing Expense	-	-	-	-	-	46,413	49,161	
Kentucky Derby Day Funds - LQBA	-	42,861	-	-	-	42,861	41,629	
Casual Labor	35,880	-	-	-	-	35,880	63,392	
Accounting and Legal	33,112	-	-	-	-	33,112	29,610	
Meetings and Banquets	21,748	4,397	-	-	-	26,146	36,771	
Rent	9,750	10,400	-	-	-	24,035	18,600	
Depreciation	13,089	9,019	-	-	-	22,108	26,134	
Computer Fees	18,252	156	-	-	-	18,408	17,690	
Repairs and Maintenance	15,505	653	-	-	-	16,158	18,990	
Postage and Shipping	10,972	4,609	173	-	-	15,755	14,532	
Telephone Expense	11,557	3,968	61	-	-	15,586	18,188	
Payroll Taxes	11,295	2,985	-	-	-	14,280	15,886	
Travel	11,318	1,357	-	-	-	12,676	13,856	
Dues and Subscriptions	11,860	200	-	-	-	12,060	12,142	
Office Supplies	11,329	691	-	-	-	12,020	10,393	
Printing	7,791	382	315	-	-	8,488	7,371	
Trophies	6,812	-	1,261	-	-	8,073	12,784	
Legal	6,000	-	-	-	-	6,000	-	
Utilities	-	2,852	-	-	-	2,852	2,110	
Contributions	1,740	-	-	-	-	1,740	3,807	
Equipment Rental	1,048	-	-	-	-	1,048	5,136	
Bad Debt Expense	-	1,016	-	-	-	1,016	5,775	
Other	332	198	168	-	121	843	550	
Interest	797	-	-	-	-	797	-	
Theft Loss	-	-	-	-	-	-	4,625	
	<u>678,240</u>	<u>152,883</u>	<u>353,863</u>	<u>257,785</u>	<u>1,194,994</u>	<u>2,637,886</u>	<u>3,235,942</u>	
EXCESS (DEFICIT) REVENUE OVER EXPENSES	<u>\$ 95,215</u>	<u>\$ (40,535)</u>	<u>\$ (2,803)</u>	<u>\$ (105,841)</u>	<u>\$ 296,566</u>	<u>\$ 243,781</u>	<u>\$ (377,297)</u>	

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, 1996

With Comparative Totals for 1995

	Operating	Louisiana				Political Action Council	Totals	
		Louisiana Horse	Champions Day	Salam Races	Other Races		(Memorandum Only) 1996	1995
BALANCE - BEGINNING OF YEAR	\$ 1,375,875	\$ 71,560	\$ 9,262	\$ 27,587	\$ 559,613	\$ (4,256)	\$ 2,039,640	\$ 2,416,937
EXCESS (DEFICIT) REVENUES OVER EXPENSES, AS RESTATED	95,215	(40,535)	(2,803)	(105,841)	296,566	1,179	243,781	(377,297)
TRANSFER FROM (TO) OTHER FUNDS	(158,165)	33,799	45,071	91,800	(12,485)	(20)	-	-
BALANCE - END OF YEAR	\$ 1,312,925	\$ 64,824	\$ 51,530	\$ 13,546	\$ 843,694	\$ (3,097)	\$ 2,283,421	\$ 2,039,640

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

OPERATIONS

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. In order to assist the Association in its promotion of the industry, 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 also 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 HORSE

The Louisiana Horse is the official publication of the Association.

BREEDERS AWARDS - SALAM RACES

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, the Association receives 8%. Of the remaining commissions, 40% shall be paid into a special maiden race purse account from which purses shall be disbursed. Any monies left in the account at the conclusion of the race meet shall revert to the Association to supplement other Louisiana bred thoroughbred purses at the next available race meeting conducted by that racing association.

Of the commissions on wagers made at off-track wagering facilities on each SALAM race, the Association receives 15.1%.

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 was paying 20% of the earned purse to the breeders of those horses finishing first, second and third in the respective SALAM race. Effective November 23, 1995, the Association reduced the award to 15% of the earned purse.

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 THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LOUISIANA CHAMPIONS DAY (Continued)

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, matching funds from the appropriate breeders association, corporate contributions, funds from Kentucky Derby Day and the \$100,000 receipt from 9.1% funds, mentioned below.

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, 1996, the Association received \$144,287 of Kentucky Derby Day Funds. These receipts were used, in full, to supplement Louisiana Champions Day purses, with \$101,426 paid towards thoroughbred race purses and \$42,861 paid toward quarter horse race purses. For the year ended December 31, 1995, the Association paid \$93,229 for thoroughbred race purses and \$41,629 for quarter horse race purses.

BREEDERS AWARDS - OTHER RACES

For purposes of this disclosure, 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. Of the commissions collected by the off-track betting facilities, throughout the State, that are designated for purse supplements, 9.1% is remitted to the Association. The exceptions are those commissions from SALAM races and Kentucky Derby Day races as mentioned above.

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.

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.

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

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

BREEDERS AWARDS - OTHER RACES (Continued)

The Association was paying 20% of the earned purse as breeders awards. Effective November 23, 1995, the Association reduced the award to 15% of the earned purse. The maximum breeders award paid on an Accredited Louisiana Bred Race, other than a SALAM race, is based on a purse of \$75,000. The maximum award paid by the Association on an Open Race - Non-Graded Stakes is based on a purse of \$100,000. Finally, 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, the Association shall use up to one hundred thousand dollars (\$100,000) of the 9.1% funds, per year to supplement purses on Louisiana Champions Day.

Finally, the Association has elected to contribute 10% of the 9.1% funds to the general operation of the Association. This contribution is to help cover administrative costs incurred in maintaining the breeders awards program.

POLITICAL ACTION COMMITTEE

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 are asked to contribute \$20 for the support of this committee.

PURSE SUPPLEMENTS

Any licensee who is licensed in the state of Louisiana to conduct race meetings where pari-mutuel wagering is permitted shall deduct one-half of the breakage, which is understood to be the amount of money left after paying off the bettors, and shall deposit and retain such amounts in a special account to be used for the purpose of supplementing purses for races written only for accredited thoroughbred horses. Amounts so deducted shall be used only at the track where such amount is deducted.

The amounts to be supplemented shall be agreed upon by the purse committee of the Association, and said purse committee shall be vested with complete custody and control. Any amount of money above the purse shall be considered supplemental money and shall be paid from the special account as directed by the Association's purse committee.

In relation to the purse supplements, the licensee conducting the race meeting shall withhold 2% of the total supplemental purse. The amounts so withheld from the supplemental purses shall be paid to the Association for use for operating and administrative expenses.

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

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, expenses, payables and deferred expenses, which may be material in amount, are not reflected in the accompanying financial statements.

Use of the modified cash basis also precludes the Association from including a statement of cash flows as a basic financial statement. It also precludes the Association from altering the presentation of its financial statements, which would include presenting changes in net assets rather than changes in fund balances, and including certain disclosures about its investments, both of which are prescribed by generally accepted accounting principles.

Thus, the accompanying financial statements 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 beyond the year of acquisition, the expenditure is capitalized and depreciated over the estimated useful life of the asset.

Management 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 it would be more beneficial to the reader of the financial statements not to adopt these Statements.

TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the combined statements - 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.

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.

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

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

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. Use of the accelerated method does not result in a material difference from the straight-line method required by generally accepted accounting principles. 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 \$22,108 for the year ended December 31, 1996.

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). These funds are shown as liabilities of the Association. Any interest earned on these funds is considered as operating revenue of the Association.

CASH EQUIVALENTS

For reporting purposes, the Association considers all highly liquid debt instruments with a maturity of six months or less to be considered cash equivalents.

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.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain reclassifications of previously reported amounts have been made to conform with the 1996 presentation. Such reclassifications had no effect on the excess of support and revenue over expenses.

ADVERTISING

The Association expenses the cost of advertising as incurred. Advertising and promotion totaled \$70,952 in 1996.

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

NOTE B

NOTES PAYABLE

The Association is obligated under the following note:

7.75% note payable, due in monthly installments of \$395 including interest, through May 15, 2000, secured by an automobile.	<u>\$ 13,863</u>
Total Notes Payable	<u>\$ 13,863</u>

The future scheduled maturities of long-term debt are as follows:

Year Ending <u>December 31,</u>	
1997	\$ 3,800
1998	4,106
1999	4,436
2000	<u>1,521</u>
	<u>\$ 13,863</u>

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 employees annual wages and shall be paid in January of the year following the year of eligibility.

The contributions paid in 1996 totaled \$46,413.

NOTE D

RELATED PARTY TRANSACTIONS

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 in order to keep the income of the two organizations separate. This investment is stated at cost, which does not result in a material difference from the equity method required by generally accepted accounting principles. As of December 31, 1996, the market value of this investment approximates cost, with the difference not being material to the financial statements taken as a whole.

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

NOTE D

RELATED PARTY TRANSACTIONS (Continued)

During 1996, the Association was paid \$0 for the management of the Breeders' Sales Company of Louisiana, Inc. In 1996, the Breeders' Sales Company of Louisiana, Inc. had net income of \$7,807.

As of December 31, 1996, the Breeders' Sales Company of Louisiana, Inc. owes the Association \$42,037.

NOTE E

CONCENTRATION OF CREDIT RISK

The Association has two bank accounts whose balances exceed the insurance coverage provided by the Federal government. As of December 31, 1996, these balances exceed the insurance ceiling by \$19,209.

NOTE F

PRIOR PERIOD ADJUSTMENT

The accompanying financial statements for 1995 have been restated to correct an error in not recording the cash surrender value of a key man life policy made in 1995. The effect of the restatement was to reduce the deficit of revenues over expenses for 1995 by \$10,072.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

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

	For The Years Ended December 31,	
	1996	1995
REVENUES		
Fees - 14%	\$ 383,929	\$ 375,982
Administrative Income	97,997	118,127
Commissions - 2%	173,978	122,345
Interest Income	56,536	59,066
Accrediting Fees	33,374	34,500
Member's Dues	17,075	17,640
Miscellaneous	<u>10,566</u>	<u>425</u>
Total Revenues	<u>773,455</u>	<u>728,085</u>
EXPENSES		
Breeder's Awards	93,333	235,364
Purse Supplements	25,850	103,700
Stallion Awards	48,387	66,208
Salaries	142,410	150,498
Advertising and Promotion	29,358	64,773
Legal	6,000	-
Casual Labor	35,880	53,592
Insurance	52,299	43,904
Profit Sharing Expense	46,413	49,161
Accounting and Legal	33,112	29,610
Meetings and Banquets	21,748	17,451
Computer Fees	18,252	17,568
Depreciation	13,089	19,203
Telephone	11,557	12,936
Interest	797	-
Office Supplies	11,329	9,046
Payroll Taxes	11,295	11,949
Dues and Subscriptions	11,860	11,992
Repairs and Maintenance	15,505	18,273
Rent	9,750	9,000
Postage and Shipping	10,972	9,373
Trophies	6,812	6,898
Printing	7,791	5,345
Travel	11,318	6,881
Other	332	159
Equipment Rental	1,048	1,119
Contributions	<u>1,740</u>	<u>3,707</u>
Total Expenses	<u>678,240</u>	<u>957,710</u>
Excess Revenues Over Expenses	<u>\$ 95,215</u>	<u>\$ 229,625</u>

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

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

	For The Years Ended	
	December 31,	
	<u>1996</u>	<u>1995</u>
REVENUES		
Publications	\$ 105,517	\$ 123,476
Miscellaneous	6,832	809
Interest	<u>-</u>	<u>493</u>
Total Revenues	<u>112,348</u>	<u>124,778</u>
EXPENSES		
Publication Expense	77,312	93,077
Salaries	36,956	48,279
Depreciation	9,019	6,931
Travel	1,357	5,986
Rent	10,400	9,600
Payroll Taxes	2,985	3,937
Postage and Shipping	4,609	4,930
Printing	382	-
Telephone	3,968	5,172
Equipment Rental	-	4,017
Repairs and Maintenance	653	717
Utilities	2,852	2,110
Computer Fees	156	122
Office Supplies	691	1,199
Advertising and Promotion	128	1,730
Bad Debt Expense	1,016	5,775
Dues and Subscriptions	200	150
Contributions	-	100
Theft Loss	-	4,625
Other	<u>198</u>	<u>71</u>
Total Expenses	<u>152,883</u>	<u>198,528</u>
(Deficit) Revenues Over Expenses	<u>\$ (40,535)</u>	<u>\$ (73,750)</u>

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

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

	For The Years Ended	
	December 31,	
	1996	1995
REVENUES		
Awards - Kentucky Derby Day	\$ 144,287	\$ 134,928
Awards - 9.1%	100,000	100,000
Sponsorship	33,500	10,000
Nominations	37,300	31,700
Stallion Fees	13,900	11,900
Tickets	9,150	11,980
Interest	2,302	4,317
Miscellaneous	10,622	3,310
Total Revenues	351,060	308,135
EXPENSES		
Purses Paid Out	259,419	244,694
Kentucky Derby Day Funds - LQBA	42,861	41,629
Meetings and Banquets	4,397	19,320
Advertising and Promotion	41,466	32,372
Casual Labor	-	9,800
Trophies	1,261	5,886
Printing	315	2,026
Other	24	7
Travel	-	989
Postage and Shipping	173	229
Telephone	61	80
Rent	3,885	-
Office Supplies	-	148
Total Expenses	353,863	357,180
(Deficit) Revenues Over Expenses	\$ (2,803)	\$ (49,045)

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

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

	For The Years Ended	
	December 31,	
	1996	1995
REVENUES		
Awards - 8% & 15.1%	\$ 151,515	\$ 178,840
Interest	429	417
Total Revenues	151,945	179,257
EXPENSES		
Breeders' Awards	257,618	281,297
Other	168	154
Total Expenses	257,785	281,451
(Deficit) Revenues Over Expenses	\$ (105,841)	\$ (102,194)

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

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

	For The Years Ended	
	December 31,	
	<u>1996</u>	<u>1995</u>
REVENUES		
Awards - 9.1%	\$ 1,455,010	\$ 1,487,857
Interest	<u>36,550</u>	<u>29,463</u>
Total Revenues	<u>1,491,560</u>	<u>1,517,320</u>
EXPENSES		
Breeders' Awards	929,497	1,136,287
Administrative Expense	97,997	118,127
Purse Supplements	167,500	186,500
Other	<u>-</u>	<u>35</u>
Total Expenses	<u>1,194,994</u>	<u>1,440,949</u>
Excess Revenues Over Expenses	<u>\$ 296,566</u>	<u>\$ 76,371</u>