
**LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE
ASSOCIATION 1993, INC. AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022



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AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and Subsidiaries (LAHBPA 1993, Inc.), which comprise the consolidated statements of financial position as of December 31, 2022, and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. as of December 31, 2022, and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position, the consolidating statements of activities, and the schedule of compensation, benefits, and other payments to Agency Head on pages 17 through 21, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statements of financial position, the consolidating statements of activities, and the schedule of compensation, benefits, and other payments to Agency Head is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of LAHBPA 1993, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LAHBPA 1993 Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAHBPA 1993, Inc.'s internal control over financial reporting and compliance.

Richard CPAS

Metairie, Louisiana
June 30, 2023

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
1993, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 974,361	\$ 1,483,140
Fees receivable - workers' compensation program	106,854	84,472
Accounts receivable - workers' compensation program	64,924	79,708
Premium receivable	186,609	78,670
Prepaid expenses	32,201	55,953
Restricted cash - workers' compensation program	2,239,716	1,911,642
Due from related parties	250	250
Property and equipment, net	<u>203,991</u>	<u>158,330</u>
 Total assets	 <u>\$ 3,808,906</u>	 <u>\$ 3,852,165</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 148,414	\$ 110,406
Unearned premiums - workers' compensation	239,544	271,178
Gain on sale of subsidiary	20,000	-
Due to third party	50,000	-
Due to related parties	<u>468,158</u>	<u>592,097</u>
Total liabilities	<u>926,116</u>	<u>973,681</u>
 <u>NET ASSETS</u>		
Without donor restrictions	<u>2,882,790</u>	<u>2,878,484</u>
Total net assets	<u>2,882,790</u>	<u>2,878,484</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 3,808,906</u>	 <u>\$ 3,852,165</u>

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

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
1993, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>REVENUES AND OTHER SUPPORT</u>		
Workers' compensation premiums	\$ 491,489	\$ 511,186
Management fee income	1,524,000	1,512,300
Pony lead fees	570,152	603,858
Investment income - Horsemen's Bookkeeper	159,137	134,745
Jockey payroll and NSF fees	54,098	63,924
Investment return	7,340	523
Gain on Sale of Vehicle	8,400	-
Other income	52,438	608,667
Total revenues and other support	<u>2,867,054</u>	<u>3,435,203</u>
<u>EXPENSES</u>		
Program services	2,705,198	2,857,242
Management and general	157,550	141,446
Total expenses	<u>2,862,748</u>	<u>2,998,688</u>
<u>CHANGE IN NET ASSETS</u>	<u>4,306</u>	<u>436,515</u>
<u>NET ASSETS, BEGINNING OF THE YEAR</u>	<u>2,878,484</u>	<u>2,441,969</u>
<u>NET ASSETS, END OF THE YEAR</u>	<u>\$ 2,882,790</u>	<u>\$ 2,878,484</u>

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

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
1993, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Program Services	Support Services - Management and General	Total	Program Services	Support Services - Management and General	Total
Personnel costs	\$ 1,766,708	\$ 24,904	\$ 1,791,612	\$ 1,726,366	\$ 20,243	\$ 1,746,609
Professional fees	467,471	94,386	561,857	531,494	101,311	632,805
Bank charges	1,156	3,645	4,801	-	2,593	2,593
Depreciation	16,851	-	16,851	12,055	-	12,055
Miscellaneous	3,863	12,727	16,590	571	-	571
Insurance	173,115	7,440	180,555	86,865	3,122	89,987
National assessment	63,861	-	63,861	48,579	-	48,579
Occupancy	103,427	13,483	116,910	99,069	13,533	112,602
Travel and meals	70,825	-	70,825	22,037	-	22,037
Repairs and maintenance	18,340	965	19,305	12,242	644	12,886
Postage and printing	89,281	-	89,281	80,820	-	80,820
Benevolence	10,937	-	10,937	6,887	-	6,887
Worker's compensation	(80,637)	-	(80,637)	230,257	-	230,257
	<u>\$ 2,705,198</u>	<u>\$ 157,550</u>	<u>\$ 2,862,748</u>	<u>\$ 2,857,242</u>	<u>\$ 141,446</u>	<u>\$ 2,998,688</u>

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

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
1993, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 4,306	\$ 436,515
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	16,851	12,055
Other income - debt forgiveness	-	(608,667)
Gain on sale of vehicle	(8,400)	-
Changes in operating assets and liabilities:		
Fees receivable	(22,382)	17,739
Accounts receivable	14,784	11,463
Premium receivable	(107,939)	3,455
Prepaid expenses	23,752	36,155
Claims escrow funds	-	136,735
Accounts payable and accrued expenses	38,008	(26,751)
Unearned premiums	(31,634)	28,384
Due to related parties	(123,939)	(467,901)
Net cash provided by (used in) operating activities	<u>(196,593)</u>	<u>(420,818)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(62,512)	(23,475)
Proceeds from sale of subsidiary	20,000	-
Proceeds from sale of vehicle	8,400	-
Net cash used in investing activities	<u>(34,112)</u>	<u>(23,475)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from note payable	-	291,567
Proceeds from third party	50,000	-
Net cash provided by financing activities	<u>50,000</u>	<u>291,567</u>
Decrease in cash and cash equivalents	(180,705)	(152,726)
Cash and cash equivalents, beginning of year	<u>3,394,782</u>	<u>3,547,508</u>
Cash and cash equivalents, end of year	<u>\$ 3,214,077</u>	<u>\$ 3,394,782</u>
<u>RECONCILIATION TO THE STATEMENTS OF FINANCIAL POSITION</u>		
Cash and cash equivalents	\$ 974,361	\$ 1,483,140
Restricted cash workers' compensation program	2,239,716	1,911,642
	<u>\$ 3,214,077</u>	<u>\$ 3,394,782</u>

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

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Significant Accounting Policies

Organization

The purpose of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. (LAHBPA 1993, Inc.) is to protect the interests of the horse owners and trainers, particularly as it relates to their relationships with the owners and managers of racetracks. More specifically, LAHBPA 1993, Inc. operates with the express purpose "...to foster, protect, represent, and promote the welfare and common interest of thoroughbred and quarter horse owners and trainers, to improve conditions in the horse racing industry, to improve relationships between horsemen, other members of the racing industry, and the general public in the State of Louisiana..." LAHBPA 1993, Inc. mediates on behalf of individual members when problems arise with racetrack management or the State Racing Commission, negotiates fair distributions at race tracks, and monitors state and federal legislative developments in the interest of horsemen.

With amendments to Louisiana Revised Statutes (LRS) 4:251 and 252, LAHBPA 1993, Inc. formed a wholly owned subsidiary, Horsemen's Alliance Holdings, Inc. (HAH) which serves as the parent holding company for Horsemen's Insurance Alliance SPC (HIA), which was incorporated in the Cayman Islands and holds an Insurer's license, through which a workers' compensation insurance program is marketed to the members of LAHBPA 1993, Inc.

HAH, was incorporated on June 30, 2006, in the state of Louisiana, and is the parent holding company for HIA. HIA was incorporated on June 23, 2006, in the Cayman Islands, as an exempted segregated portfolio company with limited liability and holds an Unrestricted Class "B" insurer's license, subject to the provisions of the Insurance Law (2008) of the Cayman Islands. HIA is comprised of a general portfolio which carries no risk and one segregated portfolio (Louisiana SP).

The principal business of Louisiana SP was to provide reinsurance of the workers' compensation, occupational disease and employer's liability coverage issued by National Union Fire Insurance Company of Pittsburgh and other member companies of the Chartis (the "Ceding Insurer") to LAHBPA 1993, Inc. The limit of liability is \$300,000 per occurrence and \$3,040,000 in aggregate for the policy period of July 1, 2010, to July 1, 2011. Effective in 2011, HIA discontinued writing insurance coverage and commenced running off its existing claims.

At December 31, 2018, HIA had one open claim. On May 22, 2019, HIA reached agreement on a final settlement relating to its final claim. LAHBPA 1993 Inc. has authorized the Executive Director to explore the sale or legal shutdown of HIA. The commutation was effective July 20, 2021. HIA entered into a commutation agreement which required a \$75,000 commutation fee which is included in professional fees on the statement of functional expenses for the year ended December 31, 2021. As a result, HIA was released from any further liability. Pursuant to board action, the Executive Director of LAHBPA 1993, Inc. was authorized to seek a buyer for HIA. On February 3, 2022, a sale of HIA was affected for \$20,000.

On July 13, 2011, the Horsemen's Workers' Compensation Insurance Trust (HWCIT) was formed for the purpose of directly insuring a significant portion of the insurance risks previously reinsured through HIA. HWCIT began providing insurance coverage on July 17, 2011.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Significant Accounting Policies (continued)

Organization (continued)

LAHBPA 1993, Inc. also administers a non-qualified Pension Plan and a Medical Benefit Plan with scheduled benefits for its members and their dependents. Although LAHBPA 1993, Inc. appoints the Board of Trustees for both Plans and HWCIT and shares overhead expenses, each is a separate legal entity with its own funding sources and operating expenses, separate and apart from LAHBPA 1993, Inc.'s operations. LAHBPA 1993, Inc. also maintains and serves as the disbursing agent for the Horsemen's Bookkeeper Account which is the recipient of all Louisiana horse race purses for disbursement for the owners.

Principles of Consolidation

The accompanying consolidated financial statements of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc and Subsidiaries include the accounts of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc., and its wholly owned subsidiary, HAH. Also included are the accounts of HIA, a wholly owned subsidiary of the HAH. All intercompany activities and transactions have been eliminated upon consolidation.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of LAHBPA 1993, Inc. and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions net assets for an operating reserve or board-designated endowment.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor- imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2022 and 2021, LAHBPA 1993 Inc. held no net assets with donor restrictions.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

The consolidated statements of activities present expenses of LAHBPA 1993, Inc.'s operations functionally between program services and management and general. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Cash and Cash Equivalents

Cash equivalents are all highly liquid investments with maturities of three months or less at date of acquisition.

Accounts Receivable

Accounts receivable consists primarily of amounts related to the worker's compensation program and are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2022 and 2021, the allowance for doubtful accounts was \$41,280 and \$50,827, respectively.

Property and Equipment

Property and equipment are carried at cost. LAHBPA 1993, Inc.'s policy is to capitalize property and equipment over \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives (3 – 10 years) of the respective assets. When assets are retired or otherwise disposed of, the cost and the 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 betterments are capitalized.

Unearned Premiums

Unearned premiums represent advance workers' compensation premiums paid excluding the nonrefundable minimum deposit of \$1,000 as of December 31, 2022, and 2021.

Reinsurance premiums are recognized on a pro rata basis of the policy terms. The portion of premiums and ceding commissions that relate to future periods are deferred and recorded as unearned premiums and deferred ceding commissions.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Significant Accounting Policies (continued)

Revenue and Other Support

Pursuant to Louisiana Revised Statute (LRS) 4:251 through 252, the Louisiana Legislature authorized and empowered the LAHBPA 1993, Inc. "To establish, operate and administer an insurance program for the purpose of providing workers' compensation insurance coverage and related benefits to members of the Horsemen's Benevolent and Protective Association and other persons including and especially owners of racehorses, licensed by the Louisiana State Racing Commission." LAHBPA 1993, Inc. formed the Horsemen's Workers Compensation Insurance Trust (HWCIT) effective July 17, 2011, to provide this insurance coverage.

The worker's compensation program is authorized to utilize up to 2% of all purses and purse supplements, of which, up to one half is authorized to be used for the improvement and administration of the Horsemen's Self-Help Pension Program (Pension Trust). Until June 1, 2016, contributions consisted of one-half of the authorized two percent of total amount of purses and purse supplements available. Beginning on June 1, 2016, contributions to Pension Trust consisted of one-fourth of the authorized two percent of total amount of purses and purse supplements available. Effective again as of June 1, 2017, contributions reverted to consist of the original one-half of the authorized two percent of the total amounts of purses and purse supplements available. No statutorily dedicated funds are recognized as revenue by LAHBPA 1993, Inc. The Pension Trust and Medical Trust receive their distribution directly from the racetracks. Funds received for workers' compensation Louisiana risk exposure are passed through LAHBPA 1993, Inc. in their entirety to HWCIT.

The Workers' Compensation Insurance Program generates premium revenue for LAHBPA 1993, Inc. and HWCIT. Members of LAHBPA 1993, Inc. are charged a premium based on either the number of race starts or per payroll level if the member is a non-racing farm. Effective July 17, 2011, premium revenue earned for coverage provided by HWCIT is recorded as revenue in HWCIT.

LAHBPA 1993, Inc. is also funded by the investment income earned on deposits maintained in the Horsemen's Bookkeeper Account.

Income Taxes

LAHBPA 1993, Inc. is a nonprofit organization exempt from income taxes under provisions of the Internal Revenue Service Code Section 501(c) (6); therefore, no provision has been made for federal and state income taxes.

LAHBPA 1993, Inc. applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, LAHBPA 1993, Inc. has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Significant Accounting Policies (continued)

Income Taxes (continued)

HIA is not subject to taxes on income or gains under Section 6 of the Cayman Islands Tax Concessions Law (Revised). Therefore, no provision for taxes has been made in these financial statements. HIA intends to conduct its activities so as not to be subject to taxation in any other jurisdiction. As a result of the above matters, no tax liability or expense has been recognized in the consolidated financial statements.

Pony Lead Fees

Pony lead fee (administrative fee) revenue is paid by each owner and is earned based on each start. Prior to June 1, 2017, the fee was \$16 per start and divided as follows: \$0.90 to HAH PAC, \$0.10 to Pension, and \$15 to 1993, Inc. for administrative expenses. Effective June 1, 2017, the fee was approved by the Board of Directors of LAHBPA 1993, Inc. and raised to \$20 and divided as follows: \$0.90 to HAH PAC, \$0.10 to Pension, and \$19 to 1993, Inc. for administrative expenses.

Contributed Services

A portion of LAHBPA 1993, Inc.'s functions are conducted by unpaid volunteer officers and committee members. The value of this contributed time is not reflected in the accompanying consolidated financial statements since it is not susceptible to objective measurement or valuation.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs, primarily salaries, benefits, and professional fees have been allocated among the programs and supporting services benefited. The allocation between functions is based on time spent by specific employees as estimated by management. All other costs are charged directly to the appropriate functional category.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of additions to and reduction of net assets during the reported period. Accordingly, actual results may differ from those estimates.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Significant Accounting Policies (continued)

Recent Accounting Pronouncements – Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. On June 3, 2020, the FASB deferred the effective date of this standard for certain entities. The adoption of this standard during the year ended December 31, 2022, did not have a material impact on the financial statements of LAHBPA 1993, Inc.

On September 17th, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The FASB ASU requires the new standard to be applied retrospectively, with amendments taking effect for LAHBPA 1993, Inc.'s year ending December 31, 2022. The adoption of this standard during the year ended December 31, 2022, did not have a material impact on the financial statements of LAHBPA 1993, Inc.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 951,673	\$ 1,483,140
	<u>\$ 951,673</u>	<u>\$ 1,483,140</u>

The claims escrow funds, receivables, and restricted cash are either restricted by state statute or other requirement limiting its use for the workers' compensation program or otherwise not available for general expenditures in the next year.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

3. Property and Equipment, Net

	<u>2022</u>	<u>2021</u>
Land	\$ 110,000	\$ 110,000
Automobile	-	49,907
Building	685,760	685,760
Building improvements	453,172	402,522
Furniture and fixtures	44,126	44,126
Computer software	52,550	52,550
Computer hardware	7,652	7,652
Equipment	121,728	109,866
Field office trailers	<u>171,532</u>	<u>171,532</u>
Total	1,646,520	1,633,915
Less: accumulated depreciation	<u>(1,442,529)</u>	<u>(1,475,585)</u>
Property and equipment, net	<u>\$ 203,991</u>	<u>\$ 158,330</u>

Depreciation expense of \$16,851 and \$12,055 is included in the consolidated statements of functional expenses for the years ended December 31, 2022 and 2021, respectively.

During the year ended December 31, 2022 and 2021, LAHBPA 1993, Inc. disposed of \$49,907 and \$234,631 of fully depreciated property and equipment, respectively. During the year ended December 31, 2022, LAHBPA 1993, Inc. sold a vehicle for \$8,400.

4. Related Party Transactions

LAHBPA 1993, Inc. shares certain overhead costs with the Louisiana Horsemen's Medical Benefit Trust (Medical Benefit Trust), the Louisiana Horsemen's Pension Trust (Pension), and the Horsemen's Workers Compensation Insurance Trust (HWCIT), affiliates of LAHBPA 1993, Inc. During the years ended December 31, 2022, and 2021, LAHBPA 1993, Inc. earned management fees from the Medical Benefit Trust, Pension, and HWCIT totaling \$1,524,000 and \$1,512,300, respectively.

The balances due to HWCIT of \$468,158 and \$592,097 at December 31, 2022 and 2021, respectively, represent the worker's compensation premiums and purse funding collected by LAHBPA 1993, Inc. The balance due to HWCIT is non-interest bearing and is unsecured. HWCIT's viability is dependent on LAHBPA 1993, Inc. funding any cash flow needs and any deficits incurred by HWCIT.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

5. Horsemen's Bookkeeper Account

At each race meeting conducted in the State of Louisiana, there shall be a bookkeeper for the collection, disbursement, and investment of monies belonging to horsemen licensed and racing at such a race meeting, who shall be known as the Horsemen's Bookkeeper.

The Horsemen's Bookkeeper shall be bonded, selected, and employed by LAHBPA 1993, Inc.

Except for interest earned on the investment of monies in the Horsemen's Bookkeeper Account, and that portion of a pony lead fee as authorized and assessed by LAHBPA 1993, Inc., withdrawals are limited to monies due horsemen with regard to daily purses, jockey fees, stakes, handicaps, rewards, claims, deposits, monies, if any, for horsemen's medical and hospital benefit programs, and pony lead fees.

6. Commitments and Contingencies

Insurance Management Agreement

HIA has an appointed insurance manager located in Grand Cayman. HIA's management agreement with the insurance manager stipulates the terms and conditions under which the insurance manager is to conduct business on behalf of HIA. Included in professional fees expenses for the years ended December 31, 2022 and 2021 is \$35,000 respectively related to this agreement.

Letters of Credit

Letters of credit of \$577,285 as of December 31, 2020, were issued by HIA's banker in favor of the Ceding Insurer to secure HIA's liabilities under the reinsurance assumed. The letters of credit were secured by a guarantee from LAHBPA 1993, Inc. The letters of credit were cancelled on August 12, 2021, in connection with the commutation of HIA on July 20, 2021.

Due to third party

During the months of January and June 2022, the new owners of HIA advanced \$50,00 to HIA to cover operating costs during the year ended December 31, 2022.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION 1993, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

7. Concentration of Credit Risk

LAHBPA 1993, Inc. receives virtually all of its support as a result of the horse racing industry. Management fee income earned from related entities (See Note 4) represents approximately 53.2% and 44% of its total revenues earned during the years ended December 31, 2022, and 2021, respectively. Management does not foresee any unfavorable impact as a result of these concentrations.

LAHBPA 1993, Inc. maintains its cash and cash equivalent balances in several financial institutions. Custodial credit risk is the risk that in the event of a bank failure, LAHBPA 1993, Inc.'s deposits may not be returned to them. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022, and 2021, LAHBPA 1993, Inc.'s cash exceeded federally insured limits by \$2,330,480 and \$2,088,367, respectively.

8. U.S. Small Business Administration (SBA) Paycheck Protection Program

On February 10, 2021, LAHBPA 1993, Inc. received a Paycheck Protection Program loan in the amount of \$291,567. This loan is potentially forgivable if LAHBPA 1993, Inc. meets certain criteria. The loan has an interest rate of 1% and is due five years from the date of origination. The Paycheck Protection Program loan does not require any collateral or personal guarantees associated with this loan. The 2020 and 2021 loans were fully forgiven during the year ended December 31, 2021 and are recognized as Other Income in the Statements of Activities.

9. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2023, and determined the following items require additional disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Effective January 1, 2023, HIA was sold and no longer owned by HAH. On June 30, 2023, LAHBPA 1993 Inc. received final proceeds of \$67,127 related to the sale of HIA.

SUPPLEMENTARY INFORMATION

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
1993, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022

A S S E T S

	LAHBPA 1993				Consolidated
	Inc.	HAH	HIA	Eliminations	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 918,208	\$ 56,153	\$ -	\$ -	\$ 974,361
Fees receivable - workers' compensation program	106,854	-	-	-	106,854
Accounts receivable - worker's comp premiums	64,924	-	-	-	64,924
Premium receivable	186,609	-	-	-	186,609
Prepaid expenses	32,201	-	-	-	32,201
Restricted cash - worker's compensation	2,098,580	-	141,136	-	2,239,716
Due from related parties	20,920	-	-	(20,670)	250
Property and equipment, net	203,991	-	-	-	203,991
Investment in subsidiary	35,253	19,770	-	(55,023)	-
	<u>\$ 3,667,540</u>	<u>\$ 75,923</u>	<u>\$ 141,136</u>	<u>\$ (75,693)</u>	<u>\$ 3,808,906</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 77,048	\$ -	\$ 71,366	\$ -	\$ 148,414
Unearned premiums - workers' compensation	239,544	-	-	-	239,544
Deferred gain on sale of subsidiary	-	20,000	-	-	20,000
Due to third party	-	-	50,000	-	50,000
Due to related parties	468,158	20,670	-	(20,670)	468,158
Total liabilities	<u>784,750</u>	<u>40,670</u>	<u>121,366</u>	<u>(20,670)</u>	<u>926,116</u>

NET ASSETS

Without donor restrictions	2,882,790	-	-	-	2,882,790
Retained earnings (accumulated deficit)	-	(564,747)	(100,230)	664,977	-
Additional paid-in capital	-	600,000	119,000	(719,000)	-
Common stock	-	-	1,000	(1,000)	-
Total net assets	<u>2,882,790</u>	<u>35,253</u>	<u>19,770</u>	<u>(55,023)</u>	<u>2,882,790</u>
	<u>\$ 3,667,540</u>	<u>\$ 75,923</u>	<u>\$ 141,136</u>	<u>\$ (75,693)</u>	<u>\$ 3,808,906</u>

See accompanying independent auditor's report.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
1993, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

	LAHBPA 1993 Inc.	HAH	HIA	Eliminations	Consolidated Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,446,987	\$ 36,153	\$ -	\$ -	\$ 1,483,140
Fees receivable - workers' compensation program	84,472	-	-	-	84,472
Accounts receivable - worker's comp premiums	79,708	-	-	-	79,708
Premium receivable	78,670	-	-	-	78,670
Prepaid expenses	55,953	-	-	-	55,953
Restricted cash - worker's compensation	1,809,616	-	102,026	-	1,911,642
Due from related parties	20,920	-	-	(20,670)	250
Property and equipment, net	158,330	-	-	-	158,330
Investment in subsidiary	82,614	67,131	-	(149,745)	-
<u>TOTAL ASSETS</u>	<u>\$ 3,817,270</u>	<u>\$ 103,284</u>	<u>\$ 102,026</u>	<u>\$ (170,415)</u>	<u>\$ 3,852,165</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 75,511	\$ -	\$ 34,895	\$ -	\$ 110,406
Unearned premiums - workers' compensation	271,178	-	-	-	271,178
Due to related parties	592,097	20,670	-	(20,670)	592,097
Total liabilities	<u>938,786</u>	<u>20,670</u>	<u>34,895</u>	<u>(20,670)</u>	<u>973,681</u>

NET ASSETS

Without donor restrictions	2,878,484	-	-	-	2,878,484
Retained earnings (accumulated deficit)	-	(517,386)	(52,869)	570,255	-
Additional paid-in capital	-	600,000	119,000	(719,000)	-
Common stock	-	-	1,000	(1,000)	-
Total net assets	<u>2,878,484</u>	<u>82,614</u>	<u>67,131</u>	<u>(149,745)</u>	<u>2,878,484</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 3,817,270</u>	<u>\$ 103,284</u>	<u>\$ 102,026</u>	<u>\$ (170,415)</u>	<u>\$ 3,852,165</u>

See accompanying independent auditor's report.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
1993, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>LAHBPA 1993</u>				<u>Consolidated</u>
	<u>Inc.</u>	<u>HAH</u>	<u>HIA</u>	<u>Eliminations</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>					
Workers' compensation premiums	\$ 491,489	\$ -	\$ -	\$ -	\$ 491,489
Management fee income	1,524,000	-	-	-	1,524,000
Pony lead fees	570,152	-	-	-	570,152
Investment income - Horsemen's Bookkeeper	159,137	-	-	-	159,137
Jockey payroll and NSF fees	54,098	-	-	-	54,098
Investment return	7,301	-	39	-	7,340
Gain on Sale of Vehicle	8,400	-	-	-	8,400
Other income	52,438	-	-	-	52,438
Gain (loss) from subsidiary	(47,361)	(47,361)	-	94,722	-
Total revenues and other support	<u>2,819,654</u>	<u>(47,361)</u>	<u>39</u>	<u>94,722</u>	<u>2,867,054</u>
<u>EXPENSES</u>					
Program expenses	2,657,798	-	-	-	2,657,798
Management and general	157,550	-	47,400	-	204,950
Total expenses	<u>2,815,348</u>	<u>-</u>	<u>47,400</u>	<u>-</u>	<u>2,862,748</u>
<u>CHANGE IN NET ASSETS</u>	<u>4,306</u>	<u>(47,361)</u>	<u>(47,361)</u>	<u>94,722</u>	<u>4,306</u>
<u>NET ASSETS, BEGINNING OF THE YEAR</u>	<u>2,878,484</u>	<u>82,614</u>	<u>67,131</u>	<u>(149,745)</u>	<u>2,878,484</u>
<u>NET ASSET CONTRIBUTIONS (DISTRIBUTIONS, NET)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET ASSETS, END OF THE YEAR</u>	<u>\$ 2,882,790</u>	<u>\$ 35,253</u>	<u>\$ 19,770</u>	<u>\$ (55,023)</u>	<u>\$ 2,882,790</u>

See accompanying independent auditor's report.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
1993, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>LAHBPA 1993</u> <u>Inc.</u>	<u>HAH</u>	<u>HIA</u>	<u>Eliminations</u>	<u>Consolidated</u> <u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>					
Workers' compensation premiums	\$ 511,186	\$ -	\$ -	\$ -	\$ 511,186
Management fee income	1,512,300	-	-	-	1,512,300
Pony lead fees	603,858	-	-	-	603,858
Investment income - Horsemen's Bookkeeper	134,745	-	-	-	134,745
Jockey payroll and NSF fees	63,924	-	-	-	63,924
Investment return	483	-	40	-	523
Other income	608,667	-	-	-	608,667
Gain (loss) from subsidiary	(132,538)	(132,538)	-	265,076	-
Total revenues and other support	<u>3,302,625</u>	<u>(132,538)</u>	<u>40</u>	<u>265,076</u>	<u>3,435,203</u>
<u>EXPENSES</u>					
Program expenses	2,770,079	-	87,163	-	2,857,242
Management and general	96,031	-	45,415	-	141,446
Total expenses	<u>2,866,110</u>	<u>-</u>	<u>132,578</u>	<u>-</u>	<u>2,998,688</u>
<u>CHANGE IN NET ASSETS</u>	<u>436,515</u>	<u>(132,538)</u>	<u>(132,538)</u>	<u>265,076</u>	<u>436,515</u>
<u>NET ASSETS, BEGINNING OF THE YEAR</u>	<u>2,441,969</u>	<u>200,152</u>	<u>184,669</u>	<u>(384,821)</u>	<u>2,441,969</u>
<u>NET ASSET CONTRIBUTIONS (DISTRIBUTIONS, NET)</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>(30,000)</u>	<u>-</u>
<u>NET ASSETS, END OF THE YEAR</u>	<u>\$ 2,878,484</u>	<u>\$ 82,614</u>	<u>\$ 67,131</u>	<u>\$ (149,745)</u>	<u>\$ 2,878,484</u>

See accompanying independent auditor's report.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
1993, INC. AND SUBSIDIARIES
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2022

Agency Head Name: Edwin Fenasci, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 132,872
Benefits - insurance	5,609
Meals and Parking	1,124
Registration fees	-
Conference travel	3,165
	<u>\$ 142,770</u>

The Executive Director of LAHBPA 1993, Inc. is the individual responsible for and monitors all activities of the LAHBPA 1993, Inc. and its subsidiaries and its related organizations. This schedule reflects the compensation, benefits, and other payments made to the Executive Director by LAHBPA 1993 Inc.

See independent auditor's report.

OTHER REPORT



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Trustees
Louisiana Horsemen’s Benevolent and Protective Association 1993, Inc.
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Louisiana Horsemen’s Benevolent and Protective Association 1993, Inc.(LAHBPA 1993, Inc.), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 30, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Louisiana Horsemen’s Benevolent and Protective Association 1993, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Horsemen’s Benevolent and Protective Association 1993, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of LAHBPA 1993, Inc.’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Horsemen's Benevolent and Protective Association 1993, Inc.'s financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LAHBPA 1993, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAHBPA 1993, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richard CPAS

Metairie, Louisiana
June 30, 202