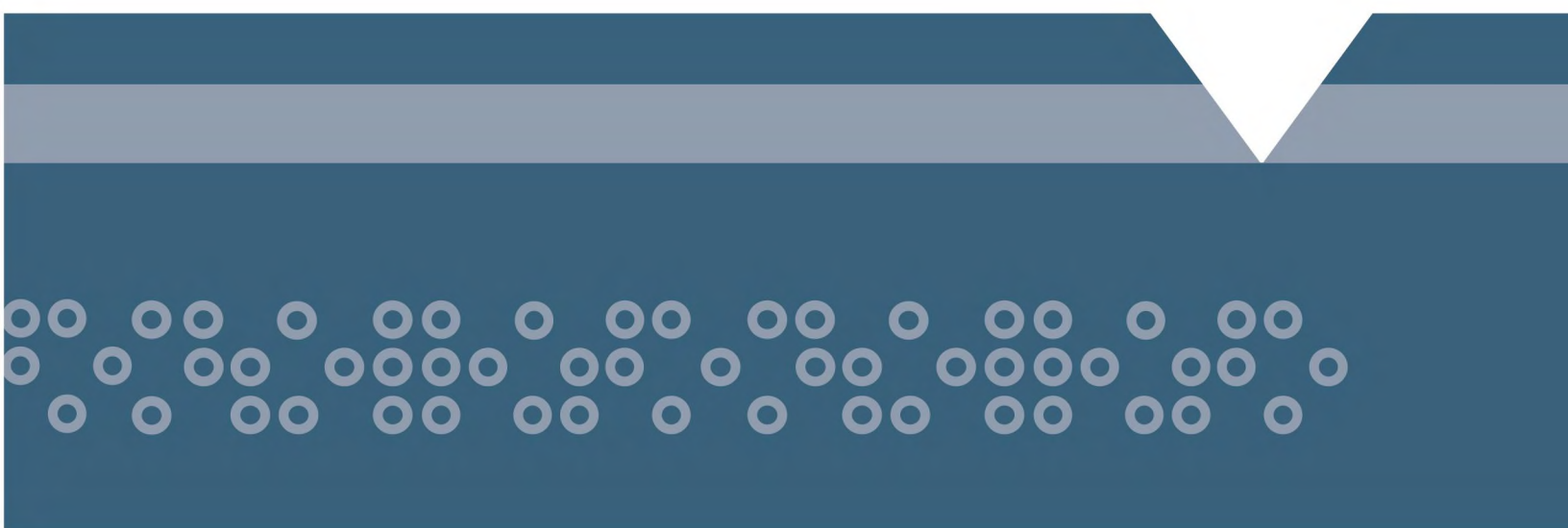


Louisiana Quarter Horse Breeders Association

Audited Financial Statements and Other Financial Information
Alexandria, Louisiana

December 31, 2023 and 2022



CERTIFIED PUBLIC
ACCOUNTANTS

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

DECEMBER 31, 2023 AND 2022

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AUDITED FINANCIAL STATEMENTS



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To the Board of Directors
Louisiana Quarter Horse Breeders Association
Alexandria, Louisiana

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of assets, liabilities and net assets-modified cash basis of Louisiana Quarter Horse Breeders Association (the Association), a nonprofit organization, as of December 31, 2023 and 2022, and the related statements of revenues and expenses-modified cash basis and functional expenses-modified cash basis, for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Quarter Horse Breeders Association as of December 31, 2023 and 2022, and the changes in its net assets for the years then ended in accordance with modified cash basis of accounting.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 Quarter Horse Breeders Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, 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 Quarter Horse Breeders Association'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 GAAS 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 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 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 Quarter Horse Breeders Association'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Quarter Horse Breeders Association'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 financial statements as a whole. The supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance

with auditing standards generally accepted in the United States of America. In our opinion, the information on page 15 is fairly stated, in all material respects, in relation to the 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 27, 2024, on our consideration of Louisiana Quarter Horse Breeders Association’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 Louisiana Quarter Horse Breeders Association’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 Louisiana Quarter Horse Breeders Association’s internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor we have issued a report dated June 27, 2024 on the results of our statewide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor’s statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana
June 27, 2024

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
DECEMBER 31, 2023 AND 2022

ASSETS	<u>2023</u>	<u>2022</u>
<u>Current assets:</u>		
Cash	\$ 779,351	\$ 948,907
Investments	2,182,582	1,683,161
Accounts receivable-trade	<u>24,075</u>	<u>45,727</u>
Total current assets	2,986,008	2,677,795
<u>Property, premises, furniture, and equipment:</u>		
Land	107,000	107,000
Building	165,684	165,684
Furniture and equipment	<u>236,162</u>	<u>236,162</u>
	508,846	508,846
<u>Less-accumulated depreciation</u>	<u>(313,350)</u>	<u>(297,566)</u>
Total property, premises, furniture, and equipment	195,496	211,280
<u>Other assets:</u>		
Restricted cash	3,617,737	2,937,776
Investments-restricted	4,799,666	5,594,756
Deposits	<u>500</u>	<u>500</u>
Total other assets	<u>8,417,903</u>	<u>8,533,032</u>
Total assets	<u>\$ 11,599,407</u>	<u>\$ 11,422,107</u>

(Continued)

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET ASSETS	<u>2023</u>	<u>2022</u>
<u>Current liabilities:</u>		
Accounts payable-other	\$ 32,562	\$ 35,618
Accrued expenses	14,645	12,393
Total current liabilities	<u>47,207</u>	<u>48,011</u>
<u>Other liabilities-long-term:</u>		
Breeders futurity payable	1,135,676	996,250
LQHBA-youth scholarships	74,030	86,400
Futurity interest	16,885	-
Total other liabilities-long-term	<u>1,226,591</u>	<u>1,082,650</u>
Total liabilities	1,273,798	1,130,661
<u>Net assets:</u>		
Without donor restriction	1,907,706	1,758,414
With donor restriction	8,417,903	8,533,032
Total net assets	<u>10,325,609</u>	<u>10,291,446</u>
Total liabilities and net assets	<u>\$ 11,599,407</u>	<u>\$ 11,422,107</u>

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

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION
STATEMENTS OF REVENUES AND EXPENSES – MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<u>Public support and revenues:</u>						
Public support:						
Slots support funds	\$ -	\$ 3,704,689	\$ 3,704,689	\$ -	\$ 3,640,139	\$ 3,640,139
Video poker tax support	-	1,026,792	1,026,792	-	1,323,890	1,323,890
State breeders fund support	-	966,313	966,313	-	822,649	822,649
Off track betting	-	14,548	14,548	-	11,701	11,701
Total public support	-	5,712,342	5,712,342	-	5,798,379	5,798,379
Revenues:						
Stallion award fees	10,350	-	10,350	12,450	-	12,450
Stallion scholarship funds	77,050	-	77,050	86,417	-	86,417
HBPA contribution	315,727	-	315,727	305,752	-	305,752
Futurity fees	121,002	-	121,002	110,972	-	110,972
Accreditation fees/foal reports	63,503	-	63,503	70,545	-	70,545
Membership fees	33,630	-	33,630	36,700	-	36,700
OSM report fees	111,525	-	111,525	109,175	-	109,175
Yearling sale commissions and consignment fees	799,702	-	799,702	789,920	-	789,920
Net investment income	222,832	167,926	390,758	(30,377)	(220,941)	(251,318)
Other income	35,459	-	35,459	56,897	-	56,897
Total revenues	1,790,780	167,926	1,958,706	1,548,451	(220,941)	1,327,510
Net assets released from restriction	5,995,397	(5,995,397)	-	5,346,912	(5,346,912)	-
Total public support, revenues, and reclassifications	7,786,177	(115,129)	7,671,048	6,895,363	230,526	7,125,889
<u>Expenses:</u>						
Program services	7,455,695	-	7,455,695	6,652,806	-	6,652,806
Management and general	181,190	-	181,190	187,799	-	187,799
Total expenses	7,636,885	-	7,636,885	6,840,605	-	6,840,605
<u>Change in net assets</u>	149,292	(115,129)	34,163	54,758	230,526	285,284
<u>Net assets, beginning of year</u>	1,758,414	8,533,032	10,291,446	1,703,656	8,302,506	10,006,162
<u>Net assets, end of year</u>	\$ 1,907,706	\$ 8,417,903	\$ 10,325,609	\$ 1,758,414	\$ 8,533,032	\$ 10,291,446

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

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Breeders awards	\$ 3,529,981	\$ -	\$ 3,529,981	\$ 3,324,295	\$ -	\$ 3,324,295
Video poker tax awards	1,716,700	-	1,716,700	948,154	-	948,154
State breeders fund	969,657	-	969,657	1,074,463	-	1,074,463
Yearling sale	308,160	-	308,160	298,999	-	298,999
Salaries	271,875	58,259	330,134	267,471	57,316	324,787
Payroll taxes	21,942	4,702	26,644	20,190	4,326	24,516
Pension expense	17,348	3,718	21,066	8,076	1,731	9,807
Professional fees	136,167	29,177	165,344	131,889	28,262	160,151
Advertising	81,355	17,434	98,789	54,000	11,571	65,571
Trophies, awards, and promotional	40,641	-	40,641	85,504	-	85,504
Office supplies	14,282	3,060	17,342	22,321	4,783	27,104
Information technology	7,658	1,641	9,299	4,748	1,018	5,766
Postage	10,262	2,199	12,461	15,373	3,294	18,667
Travel, entertainment, convention, and meeting expenses	58,230	12,478	70,708	49,934	10,700	60,634
Telephone and utilities	10,894	2,335	13,229	11,368	2,436	13,804
Repairs and maintenance	8,928	1,913	10,841	21,086	4,518	25,604
Depreciation	12,999	2,785	15,784	15,068	3,229	18,297
Out of state mare expense	45,000	-	45,000	45,000	-	45,000
Insurance	11,878	2,545	14,423	10,457	2,241	12,698
Other expenses	181,738	38,944	220,682	244,410	52,374	296,784
Total expenses	<u>\$ 7,455,695</u>	<u>\$ 181,190</u>	<u>\$ 7,636,885</u>	<u>\$ 6,652,806</u>	<u>\$ 187,799</u>	<u>\$ 6,840,605</u>

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

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. **Summary of Significant Accounting Policies**

a. **Introduction**

The Louisiana Quarter Horse Breeders Association (the Association) is a Louisiana non-profit organization, which seeks to promote and further the quarter horse breeding industry within the State of Louisiana. The Association is engaged in programs for the encouragement and improvement of the raising and breeding of Louisiana-owned quarter horses including, but not limited to, the payment of breeders' awards to breeders of accredited Louisiana-bred horses and supplementing purses for races written for accredited Louisiana-bred horses. In addition, the Association is recognized as the sole official registrar of accredited quarter horse foals in Louisiana, as provided by Louisiana Revised Statute (R. S.) 4:179.

The Association's principal office is located in Alexandria, Louisiana. The Association is under the management and supervision of its Board of Directors. The Board of Directors is composed of 13 members, elected by the Association's membership. The Executive Director is a full-time employee of the Association and serves subject to the direction and instruction of the Board of Directors and manages the daily operations of the Association.

b. **Basis of Accounting**

The Association's policy is to prepare its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. That basis differs from accounting principles generally accepted in the United States of America primarily because certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when incurred.

c. **Basis of Presentation**

Management of the Association believes that it would be more beneficial to the users of the Association's financial statements to report on a modified cash basis of accounting, which is a basis of accounting not in accordance with accounting principles generally accepted in the United States of America.

The Association is required to report information regarding its financial position and activities based on the existence or absence of donor or grantor-imposed restrictions, as follows:

Net assets without donor restriction – Net assets that are not subject to donor or grantor-imposed restrictions. Some net assets without donor restrictions may be designated for specific purposes by action of the governing board.

Net assets with donor restriction – Net assets subject to donor or grantor-imposed restrictions that may or will be met by actions of the Association.

d. **Income Taxes**

The Association meets the requirements of Section 501(c)(5) of the Internal Revenue Code and, therefore, is exempt from federal and state income taxes. The Association has no portion of its income subject to unrelated business taxable income and no income tax provision was incurred in the fiscal years ended December 31, 2023 and 2022.

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

The Association follows the provisions of the Accounting for Uncertainty in Income Taxes standard of the Financial Accounting Standards Board's Accounting Standards Codification, requiring it to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent (50%) likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the years ended December 31, 2023 and 2022, the Association's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters requiring recognition or any affecting its tax-exempt status.

The Association has filed all tax returns currently required by proper federal jurisdiction and the State of Louisiana. The Association's tax returns for the previous three years remain subject to examination.

e. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

f. Cash and Cash Equivalents

Cash and cash equivalents include all demand deposits and certificates of deposits, with original purchased maturities of ninety days or less. Money market accounts held by investment firms are classified as investments. Restricted cash includes breeder awards held by investment firms and video poker purse supplement funds.

g. Securities

The Association classifies all its securities as held for sale, and they primarily are mortgage-backed securities. Securities are recorded at fair value, with net investment income recorded on the statement of activities.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by issuers of the securities. Mortgage-backed securities are carried at unpaid principal balances, adjusted for unamortized premiums and unearned discounts. Premiums and discounts are amortized using the interest method over the remaining period to contractual maturity.

h. Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Certain categories of expenses are attributable to both program services and supporting activities and are charged directly to either program services or supporting expenses based on the nature of expense.

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

i. Sources and Uses of Funds

As mentioned above in (c), to observe the limitations and restrictions placed on the use of available resources, the accounts of the Association are presented in accordance with the specific activity or objective of the fund sources. A brief description of each fund source follows:

Public Funds

The Public Funds are used for purposes on which there are restrictions. The revenues of the Public Funds include:

Slot Machine Funds

As prescribed by Louisiana R. S. 27:361(B)(4)(c), each licensed eligible facility shall pay a fixed percentage of 1% of the annual net slot machine proceeds received from slot machine gaming operations at the licensed eligible facility to the Association. The Executive Committee of the Association shall distribute such amount, according to a schedule or formula and within a time period, which shall be established by the Committee, for special breeder awards to the breeders of accredited Louisiana-bred horses.

Video Draw Poker Device Purse Supplement Funds

As enacted by Louisiana Revised Statute 27:439(B)(2) & (2) (a), monies in the Video Draw Poker Device Purse Supplement Fund shall be annually appropriated to the Department of Economic Development, Louisiana State Racing Commission, and shall be allocated by the commission.

One-third of the funds appropriated to the commission pursuant to the act are allocated and provided to The Louisiana Quarter Horse Breeders Association. The funds are distributed periodically based on requests from the Association for scheduled race days during active race meetings. The funds shall be used solely to supplement purses and are maintained in separate accounts and thus restricted funds.

State Breeder Award Funds

To assist the Association in its promotion of the industry, R. S. 4:165 (B) (1) (2) (3) provides that the Louisiana State Racing Commission will pay \$800,000 annually to make special stallion awards to owners of stallions of accredited Louisiana bred offspring and to supplement purses and to make special breeders' awards to the breeders of accredited Louisiana bred quarter horses.

Operating Funds

The Operating Funds are used for operating purposes on which there are no restrictions, except the budgetary control provisions provided by the budget adopted by the Board of Directors. The revenues of the Operating Funds include:

Commissions 2%

As provided by R. S. 4:165 (C), each licensee conducting race meetings shall withhold 2% of the total supplemental purse to be paid to the Association. The amounts withheld from the supplemental purses shall be paid to the Association for operating and administrative expenses.

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Futurity Fees

The Association receives a 6% administrative fee on Association administered stakes. Stakes Added Money is excluded from Futurity Fees.

Other Operating Funds

The Association records interest earned on investments, membership dues, accrediting fees, and miscellaneous revenues when received.

Yearling Sale

The Association conducts a yearling sale and receives a commission and consignment fee on the sales proceeds to conduct the sales. Some board members participate in these sales on occasions. The transactions between the Association and board members are exchanged at an arms-length transaction with no special considerations.

j. Property, Premises, Furniture and Equipment

Property, premises, furniture, and equipment are carried at cost less accumulated depreciation. Depreciation of premises, furniture, and equipment is provided on the straight-line and accelerated methods over the estimated useful lives of the related assets. Expenditures for major renewals and betterments of association premises and equipment are capitalized, and those for maintenance and repairs are charged to expense as incurred. When premises and equipment are retired or otherwise disposed of, the cost of the assets and related accumulated depreciation are removed from the accounts and the resulting gains or losses are recognized.

k. Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation.

l. Recently Adopted Accounting Standards

On January 1, 2023, the Association adopted ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. Topic 326 requires the measurement of all expected credit losses for financial assets held at the reporting date to be based on historical experience, current conditions, and reasonable and supportable forecasts. The adoption of this standard did not have a material impact on the Association's financial statements.

2. Financial Statement Presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restriction. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets available for general use and not subject to donor restriction. The Board of Directors has designated, from net assets without donor restriction, net assets for specific purpose and operations. The Association's policy is to designate unrestricted donor funds at the discretion of the Board of Directors. Net assets without donor restriction also include the investment in property and equipment net of accumulated depreciation.

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Net Assets With Donor Restriction – Net assets that are contributions and investment earnings subject to donor-imposed restriction. The Association may report contributions restricted by donors as increases in net assets without donor restriction if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restriction, depending on the nature of the restriction. When a restriction expires, net assets with donor restriction is reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restriction. As of 2023 and 2022, the Association’s net assets with donor restriction are restricted for funding various program services.

3. Investment Securities and Certificates of Deposit

Securities and certificates of deposit consist of the following:

	2023	2022
Restricted:		
Investments at Wells Fargo		
Mortgage backed securities (level 1, market value)	\$ 4,467,992	\$ 4,760,444
Mutual funds (level 1, market value)	190,000	-
Money market accounts (level 3, cost approximates market value)	141,674	834,312
Total	\$ 4,799,666	\$ 5,594,756
Non-restricted:		
Investments at Wells Fargo		
Mortgage backed securities (level 1, market value)	\$ 1,566,867	\$ 1,680,385
Mutual funds (level 1, market value)	560,000	-
Money market accounts (level 3, cost approximates market value)	55,715	2,776
Total	\$ 2,182,582	\$ 1,683,161

The Association follows *Fair Value Measurements* which among other things require enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value

U. S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange Traded Funds: Valued at the closing price reported on the active market on which the funds are traded.

Money market: Approximates fair value because of the immediate or short-term maturities of these financial statements.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the financial statements.

4. Liquidity and Availability of Financial Assets

Louisiana Quarter Horse Breeders Association strives to maintain liquid financial assets sufficient to meet at least one year of general operating expenditures. The Association has \$2,986,008 of financial assets available within one year of the balance sheet date, comprised of cash of \$779,351, accounts receivable of \$24,075, and short term investments of \$2,182,582. None of these financial assets is subject to donor restrictions or contractual restrictions that make them unavailable within one year.

5. Functional Classification of Expenses

The Association reports expenses in its Statement of Revenues and Expenses - Modified Cash Basis in the natural expense categories. Accounting standards generally require disclosure of expenses between the functional classifications of program and support.

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

6. Defined Contribution Pension Plan

All full-time employees are currently eligible to participate in a simple IRA retirement plan. Contributions to the Plan by the Association totaled \$10,589 and \$9,807 for the years ended December 31, 2023 and 2022, respectively. The Executive Director employment contract provides \$10,475 for non-plan contributions.

7. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 27, 2024. No reportable items were noted.

SUPPLEMENTARY INFORMATION

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION IN ACCORDANCE WITH
LOUISIANA REVISED STATUTE 24:513(A)(3) (ACT 706 OF 2014)
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2023

Bruce Salard, Executive Director:

Salary	\$156,342
Car allowance	7,200
Cell phone	1,061
Retirement	15,634
Health insurance	12,000
Registration fees	115
Conference travel	3,435

OTHER REPORTS



REGIONS TOWER
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101
318.429.1525 (P) | 318.429.2124 (F)

To the Board of Directors
Louisiana Quarter Horse Breeders Association
Alexandria, Louisiana

**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**

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 Quarter Horse Breeders Association (a non-profit organization), which collectively comprise the statement of assets, liabilities, and net assets-modified cash basis as of December 31, 2023, and the related statements of revenues and expenses-modified cash basis, and functional expenses-modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 over financial reporting 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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Quarter Horse Breeders Association's financial statements are free of material misstatement, 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information and use of the Legislative Auditor of the State of Louisiana, the Louisiana Quarter Horse Breeders Association's management and Board of Directors and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana
June 27, 2024

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Louisiana Quarter Horse Breeders Association.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance were disclosed during the audit.
4. Louisiana Quarter Horse Breeders Association is not subject to a federal single audit for the year ended December 31, 2023.

II. Findings – Financial Statement Audit

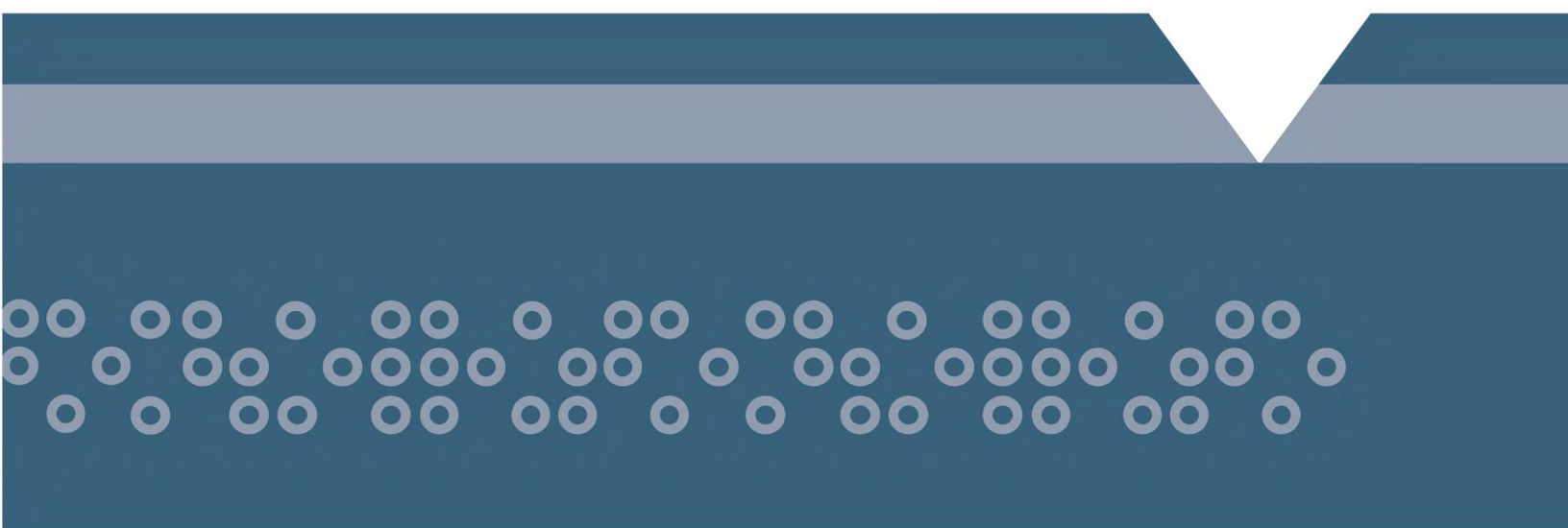
None

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

There were no findings from the prior year.

Louisiana Quarter Horse Breeders Association
Alexandria, Louisiana

Statewide Agreed-Upon Procedures Report 2023



HMV
CERTIFIED PUBLIC
ACCOUNTANTS



REGIONS TOWER
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Bruce Salard
Louisiana Quarter Horse Breeders Association
105 Carlyon Lane
Alexandria, LA 71303

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023 through December 31, 2023. Management of Louisiana Quarter Horse Breeders Association (Association) is responsible for those C/C areas identified in the SAUPs.

The Association has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

The entity has an adequate policy regarding budgeting.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

The entity has an adequate policy regarding purchasing.

- c) **Disbursements**, including processing, reviewing, and approving.

The entity has an adequate policy regarding disbursements.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The entity has an adequate policy regarding receipts/collections.

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

The entity has an adequate policy regarding payroll/personnel.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The entity has an adequate policy regarding contracts.

- g) **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

The entity has an adequate policy regarding credit cards.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

The entity has an adequate policy regarding travel and expense reimbursement.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statutes 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Not applicable to the Association as a non-profit organization.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Not applicable to the Association as a non-profit organization.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The entity has an adequate policy regarding information technology disaster recovery/business continuity.

- l) **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Not applicable to the Association as a non-profit organization.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The board met with a quorum on a frequency in accordance with the entity's bylaws.

- b) For those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

The minutes referenced monthly financial statements that included activity relating to public funds.

- c) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Not applicable; no audit findings were identified.

Bank Reconciliations

- 3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all

accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

Bank reconciliations were prepared for each account selected and included evidence of having been prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within one month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and

Bank reconciliations evidenced review by an independent member of management within one month of the date the reconciliation was prepared.

- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Management has retained adequate documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete.

Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites was obtained from management.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees responsible for cash collections do not share cash drawers/registers.

Each employee responsible for collecting cash does not share the cash drawer with another employee.

- b) Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

Each employee responsible for collecting cash does not prepare or make the related bank deposit.

- c) Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Each employee responsible for collecting cash does not post collection entries to the general or subsidiary ledgers.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

The employee(s) responsible for reconciling cash collections to the general or subsidiary ledgers are not responsible for collecting cash.

- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

The entity is covered for theft under an insurance policy that was in effect during the fiscal period.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliation procedure #3 (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

The Association does not utilize a pre-numbered receipt system unless requested by a customer.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

No exceptions.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

A listing of locations was obtained from management.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

An employee can initiate a purchase request, which is then approved by the Executive Director.

- b) At least two employees are involved in processing and approving payments to vendors.

The bookkeeper processes vendor payments and payments are approved by the Executive Director.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.

The bookkeeper has the ability to modify/add vendor files, and changes are reviewed by the Executive Director.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Signed checks are mailed by an employee who is not responsible for processing payments.

- e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (ETF), wire transfer, or some other electronic means.

All electronic disbursements of funds are approved by the Executive Director.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe whether the disbursement, whether by paper or electronic means, matched the related original invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

For all selections, no exceptions noted.

- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

For all selections, no exceptions noted.

11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure 3, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

For all selections, no exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

A listing of all active credit cards was obtained from management.

13. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and:

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

Someone other than the cardholder approved the monthly statement.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Finance charges and late fees were not assessed on the selected statement.

14. Using the monthly statements or combined statements selected under procedure #13 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

The entity's transactions were supported, without exception, by (1) an original itemized receipt that identifies exactly what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals for meals charges.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

15. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1.h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

16. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No contracts are required to be bid in accordance with the Louisiana Public Bid Law; therefore, this procedure is not applicable.

- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

All contracts selected received appropriate approvals when applicable.

- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

All contract amendments were made in accordance with original contract terms when applicable.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions to procedure noted.

Payroll and Personnel

- 17. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained listing from Management and agreed selected employees' salaries and pay rates without exception.

- 18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #17 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

No exceptions noted.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

No exceptions noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Records covering accrued and used leave appear reasonable.

- d) Observe that the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

No exceptions noted.

19. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee's or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Management represented that no employees were terminated in the period – therefore, no termination payments in the period covered.

20. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Management's representation was obtained covering these statements.

Ethics

Not applicable since the entity is a non-profit.

Debt Service

Not applicable since the entity is a non-profit.

Fraud Notice

21. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

N/A – no misappropriations of public funds identified during the fiscal period.

22. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

Information Technology Disaster Recovery/Business Continuity

23. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe that such backup (a) occurred within the past week, (b) was not stored on the entity’s local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

- b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

24. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

No terminated employees in the period – procedure not applicable.

25. Using the 5 randomly selected employees from Payroll and Personnel Procedure #17, obtain cyber security training documentation from management, and observe that the documentation demonstrates that the following employees with access to the agency’s information technology assets have completed cybersecurity training as required by R.S. 42:1267 in accordance with the following requirements:

- Hired before June 9, 2020-completed the training.
- Hired on or after June 9, 2020-completed the training within 30 days of initial service or employment.

Exception: Association employees did not complete cybersecurity training in accordance with the above requirements.

Management’s Response: Association employees completed cybersecurity training in May 2024.

Prevention of Sexual Harassment

Not applicable since the entity is a non-profit.

We were engaged by the Association to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana
June 27, 2024