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**LOUISIANA THOROUGHBRED
BREEDERS ASSOCIATION
LOUISIANA CHAMPIONS DAY FUND**

December 31, 1997

Audits of Financial Statements

December 31, 1997
and
December 31, 1996

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

Release Date 7/15/98

CONTENTS

Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 8
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	9 - 10



Board of Directors
Louisiana Thoroughbred Breeders Association
Louisiana Champions Day Fund

Independent Auditor's Report

We have audited the accompanying statements of financial position of the **Louisiana Champions Day Fund** of the **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** (a nonprofit organization) as of December 31, 1997 and 1996, and the related statements of activities and cash flows for the years then ended. These general purpose financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the **Louisiana Champions Day Fund** of the **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** as of December 31, 1997 and 1996, and the changes in its net assets and cash flows for the years then ended, in conformity with generally accepted accounting principles.

As discussed in Note A, the financial statements being presented are only for the fund referred to above and do not include the assets, liabilities, and net assets and the revenues and expenses of the **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** that are recorded in its Operating, Louisiana Horse, SALAM Races, Other Races, and Political Action Council funds. Accordingly, the accompanying financial statements are not intended to present the financial position of the **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** as of December 31, 1997 nor December 31, 1996, nor its results of operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 1998, on our consideration of the **Louisiana Champions Day Fund** of the **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.


A Professional Accounting Corporation

May 20, 1998

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
LOUISIANA CHAMPIONS DAY FUND
STATEMENT OF FINANCIAL POSITION**

ASSETS

	December 31,	
	1997	1996
Cash and Cash Equivalents	\$ 4,767	\$ 54,930
Receivable from Louisiana Thoroughbred Breeders Association to cover Cash Shortfall	9,853	-
Receivable from LQHBA	3,500	-
Sponsorship and Auction Receivables	<u>2,900</u>	<u>-</u>
 Total Assets	 <u>\$ 21,020</u>	 <u>\$ 54,930</u>

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 21,020	\$ 28,089
Nominations Refundable	<u>-</u>	<u>3,400</u>
 Net Assets		
Temporarily Restricted	<u>-</u>	<u>23,441</u>
 Total Liabilities and Net Assets	 <u>\$ 21,020</u>	 <u>\$ 54,930</u>

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

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
LOUISIANA CHAMPIONS DAY FUND
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 1997**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>1996</u>
REVENUES				
Awards - Kentucky Derby Day	\$ -	\$ 103,634	\$ 103,634	\$ 144,287
Awards - 9.1% Supplement	-	200,000	200,000	100,000
Louisiana Thoroughbred Breeders Association	-	9,853	9,853	45,070
Nominations	-	35,250	35,250	37,300
Tickets - Banquet	-	8,674	8,674	5,650
Stallion Fees	-	8,670	8,670	13,900
Sponsorship	-	24,000	24,000	33,500
Silent Auction	-	8,168	8,168	-
LQHBA Reimbursement	-	3,500	3,500	3,500
Interest	-	2,537	2,537	2,302
Miscellaneous	-	-	-	11,646
Net Assets Released from Restriction	<u>427,727</u>	<u>(427,727)</u>	<u>-</u>	<u>-</u>
 Total Revenue	 <u>427,727</u>	 <u>(23,441)</u>	 <u>404,286</u>	 <u>397,155</u>
EXPENSES				
Program Services:				
Purses Paid Out	350,806	-	350,806	302,280
Louisiana Thoroughbred Breeders Association	23,528	-	23,528	-
Casual Labor	150	-	150	-
Advertising and Promotion	30,603	-	30,603	50,129
Meetings and Banquets	16,707	-	16,707	26,550
Trophies	3,627	-	3,627	1,261
Printing	2,192	-	2,192	2,465
Postage and Shipping	-	-	-	206
Telephone	-	-	-	61
Other	<u>114</u>	<u>-</u>	<u>114</u>	<u>24</u>
 Total Expenses	 <u>427,727</u>	 <u>-</u>	 <u>427,727</u>	 <u>382,976</u>
 INCREASE (DECREASE) IN NET ASSETS	 -	 (23,441)	 (23,441)	 14,179
 NET ASSETS, BEGINNING OF YEAR	 <u>-</u>	 <u>23,441</u>	 <u>23,441</u>	 <u>9,262</u>
 NET ASSETS, END OF YEAR	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 23,441</u>

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

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
LOUISIANA CHAMPIONS DAY FUND
STATEMENTS OF CASH FLOWS**

	For The Years Ended December 31,	
	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (23,441)	\$ 14,179
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
(Increase) in Sponsorship and Auction Receivables	(2,900)	-
(Increase) in Receivable from Louisiana Thoroughbred Breeders Association to cover Cash Shortfall	(9,853)	-
(Increase) in Receivable from LQHBA	(3,500)	-
Increase (Decrease) in Accounts Payable	(7,069)	28,089
Increase (Decrease) in Nominations Refundable	<u>(3,400)</u>	<u>3,400</u>
Net Cash Provided by (Used in) Operating Activities	<u>(50,163)</u>	<u>45,668</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(50,163)	45,668
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>54,930</u>	<u>9,262</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,767</u>	<u>\$ 54,930</u>

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

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
LOUISIANA CHAMPIONS DAY FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** is a non-profit organization which seeks to promote and further the thoroughbred breeding industry within the state of Louisiana. The Association accounts for its activities through six different funds. This report is intended to report only the activity within the Louisiana Champions Day Fund.

BASIS OF PRESENTATION

In 1996, the Association adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 requires reporting information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Restrictions are based upon donor stipulations. In addition, a statement of cash flows must be presented. This reclassification had no effect on the change in net assets for 1996.

RECLASSIFICATIONS

Certain reclassifications of previously reported amounts have been made to conform with the 1997 presentation. Such reclassifications had no effect on the excess of support and revenue over expenses.

PUBLIC SUPPORT, REVENUE AND PLEDGES

In 1996, the Association adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Under SFAS No. 116, contributions are recorded as restricted if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

CASH EQUIVALENTS

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

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
LOUISIANA CHAMPIONS DAY FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES

The Association meets the requirements of Section 501(c)6 of the Internal Revenue Code and therefore is exempt from Federal income taxes.

NOTE B

LOUISIANA CHAMPIONS DAY

The Association is authorized to hold a special day of racing devoted solely to Louisiana bred horses, for the purpose of focusing national attention on and enhancing the horse breeding industry in the State. It was enacted by the state legislature so as to include both thoroughbred and quarter horse races on the same racing program. The racing program on Louisiana Champions Day shall consist of seven races for thoroughbreds and three races for quarterhorses.

Louisiana Champions Day purses shall be determined by the Association after consultation with the Louisiana Quarterhorse Breeders Association and shall be funded through purses offered by participating racing associations, funds from Kentucky Derby Day, corporate contributions, and matching funds from the appropriate breeders association. In addition to the matching funds, the Association remits up to \$200,000 of its receipt of 9.1% of the commissions collected by the off-track betting facilities, throughout the State, that are designated for purse supplements. For the year ended December 31, 1996, the Association was able to remit up to \$100,000 of its receipt of 9.1% of the commissions collected by the off-track betting facilities, throughout the State, that are designated for purse supplements.

Kentucky Derby Day funds represent all fees from pari-mutuel wagering on races held on the first Saturday in May. These funds are paid to the Association by order of the State of Louisiana Department of Economic Development and are required to be placed in an interest bearing account.

During the year ended December 31, 1997, the Association received \$103,634 of Kentucky Derby Day funds. These receipts were used, in full, to supplement Louisiana Champions Day purses, with \$72,544 paid towards thoroughbred race purses and \$31,090 paid toward quarterhorse race purses.

During the year ended December 31, 1996, the Association received \$144,287 of Kentucky Derby Day funds. These receipts were used, in full, to supplement Louisiana Champions Day purses, with \$101,426 paid towards thoroughbred race purses and \$42,861 paid toward quarterhorse race purses.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
LOUISIANA CHAMPIONS DAY FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE C

TRANSFER OF FUNDS IN SUPPORT OF THE ASSOCIATION'S PROGRAM

During the year ended December 31, 1997, Louisiana Champions Day transferred \$23,528 to the operating fund of the Association for prior year excess transfers from the Association to Louisiana Champions Day. As of December 31, 1997, Louisiana Champions Day requires \$13,353 of funds from the Association in order to fulfill its obligations under accounts payable.

During the year ended December 31, 1996, the Association transferred \$46,079 out of its operating fund in order to support the Louisiana Champions Day.

NOTE D

CHANGE IN METHOD OF ACCOUNTING

During 1996, the Louisiana Champions Day Fund of the LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION changed from the modified-cash basis to the accrual basis of accounting. The Association believes that the accrual basis more accurately reflects financial position and results of operations. This change had no effect on net income or net assets.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Louisiana Thoroughbred Breeders Association
Louisiana Champions Day Fund

We have audited the financial statements of the **Louisiana Champions Day Fund** of the **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** (a nonprofit organization) as of and for the year ended December 31, 1997, and have issued our report thereon dated May 20, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **Louisiana Champions Day Fund** of the **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit we considered **Louisiana Champions Day Fund** of the **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements

in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, Management, Finance Committee, Louisiana Department of Health and Human Services, Office of Family Services, City of New Orleans, the Department of Housing and Urban Development, Goodwill Industries International, Jefferson Parish Department of Employment and Training, Orleans Private Industry Council, Inc. and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Arthur, Leht, Long & Nantz
A Professional Accounting Corporation

May 20, 1998