

**LOUISIANA THOROUGHBRED BREEDERS
ASSOCIATION**

**SLOT MACHINE ACTIVITY
December 31, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 8/13/08

Audits of Financial Statements

December 31, 2007
and
December 31, 2006

CONTENTS

Independent Auditor's Report	1 - 2
Statements of Assets, Liabilities and Net Assets - Modified Cash Basis	3
Statements of Revenues and Expenses - Modified Cash Basis	4
Statements of Changes in Net Assets - Modified Cash Basis	5
Notes to Financial Statements	6 - 8
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	9 - 10



Board of Directors
Louisiana Thoroughbred Breeders Association

Independent Auditor's Report

We have audited the statements of assets, liabilities and net assets - modified cash basis, of **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** (the Association), a non-profit organization, as of December 31, 2007 and 2006, and the related statements of revenues and expenses - modified cash basis, and changes in net assets - modified cash basis, for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A, the Association's policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As discussed in Note B, the accompanying financial statements only include activity associated with slot machines.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** as of December 31, 2007 and 2006, and its related statements of revenues and expenses and changes in net assets for the years then ended on the basis of accounting described in Note A.

110 VETERANS MEMORIAL BOULEVARD, SUITE 200, METAIRIE, LA 70005-4958 • 504.835.5522 • FAX 504.835.5535
5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956
5153 BLUEBONNET BOULEVARD, SUITE B, BATON ROUGE, LA 70809 • 225.296.5150 • FAX 225.296.5151
WWW.LAPORTE.COM

RSM McGladrey Network
An Independently Owned Member

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2008, on our consideration of **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.



A Professional Accounting Corporation

June 5, 2008

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SLOT MACHINE ACTIVITY
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS**

	December 31,	
ASSETS	2007	2006
Restricted Cash	\$ 4,523,149	\$ 5,805,499
Total Assets	\$ 4,523,149	\$ 5,805,499
LIABILITIES AND NET ASSETS		
Net Assets	4,523,149	5,805,499
Total Net Assets	\$ 4,523,149	\$ 5,805,499

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

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
 SLOT MACHINE ACTIVITY
 STATEMENTS OF REVENUES AND EXPENSES -
 MODIFIED CASH BASIS**

	For the Years Ended	
	December 31,	
	<u>2007</u>	<u>2006</u>
REVENUES		
Slot Machine Proceeds - 2%	\$ 6,878,494	\$ 7,653,450
Interest	<u>224,946</u>	<u>156,479</u>
Total Revenues	<u>7,103,440</u>	<u>7,809,929</u>
EXPENSES		
Breeder's Awards	4,745,295	2,369,665
Stallion Awards	863,073	592,674
Out of State Stakes Awards	43,659	38,385
Other - Interest Transfer	<u>228,343</u>	<u>139,013</u>
Total Expenses	<u>5,880,370</u>	<u>3,139,737</u>
EXCESS REVENUES OVER EXPENSES	<u>\$ 1,223,070</u>	<u>\$ 4,670,192</u>

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

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
 SLOT MACHINE ACTIVITY
 STATEMENTS OF CHANGES IN NET ASSETS -
 MODIFIED CASH BASIS**

	For the Years Ended	
	December 31,	
	<u>2007</u>	<u>2006</u>
NET ASSETS - BEGINNING OF YEAR	\$ 5,805,499	\$ 3,629,519
EXCESS REVENUES OVER EXPENSES	1,223,070	4,670,192
TRANSFER TO OTHER FUNDS	<u>(2,505,420)</u>	<u>(2,494,212)</u>
NET ASSETS - END OF YEAR	<u>\$ 4,523,149</u>	<u>\$ 5,805,499</u>

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

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SLOT MACHINE ACTIVITY
NOTES TO FINANCIAL STATEMENTS**

INTRODUCTION

The **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** (the Association) is a Louisiana non-profit organization, which seeks to promote and further the thoroughbred 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 thoroughbred 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. The Association also publishes the *Louisiana Horse Magazine*, the official publication of the Association, on a quarterly basis, as well as the annual *Stallion Register*. In addition, the Association is recognized as the sole official registrar of accredited thoroughbred foals in Louisiana, as provided by Louisiana Revised Statute (R.S.) 4:178.

The accompanying financial statements only include activity associated with slot machines, as discussed in Note B. If activity of the entire Association had been presented, total assets and revenues for the year ended December 31, 2007, would be \$9,303,262 and \$11,808,884, respectively. Total assets and revenues for the year ended December 31, 2006, would be \$9,971,909 and \$12,035,300, respectively.

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 generally accepted accounting principles primarily because certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when incurred. Also, depreciation of property and equipment is reported on the financial statements.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 generally accepted accounting principles.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SLOT MACHINE ACTIVITY
NOTES TO FINANCIAL STATEMENTS**

NOTE B

SOURCES AND USES OF FUNDS

To observe the limitations and restriction 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 the fund source follows:

Slot Machine

As prescribed by Louisiana R.S. 27:362(B)(4)(b), each licensed eligible facility shall pay annually a fixed percentage of two percent 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.

NOTE C

RESTRICTED CASH

Funds on deposit for Slot Machine proceeds are restricted according to their limited use as prescribed by Louisiana Revised Statutes as described fully within Note B.

NOTE D

FUNCTIONAL CLASSIFICATION OF EXPENSES

The Association reports expenses in its Statements of Revenues and Expenses - Modified Cash Basis in the natural expense categories. SFAS No. 117 requires disclosure of expenses between the functional classifications of program and support. For the year ended December 31, 2007, program services, totaling \$5,652,027, include payments of breeders' awards and stallion awards and account for approximately 96% of the Association's expenditures. Approximately 4% of expenses, or \$228,343, are for supporting activities.

NOTE E

INCOME TAXES

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

NOTE F

CONCENTRATION OF CREDIT RISK

The Association has deposits in a financial institution whose balances exceed the insurance coverage provided by the Federal government. As of December 31, 2007, this balance exceeds the insurance ceiling by \$124,903.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SLOT MACHINE ACTIVITY
NOTES TO FINANCIAL STATEMENTS**

NOTE G

TRANSFER TO OTHER FUNDS

As mentioned in Note B, proceeds received from slot machine gaming operations shall be distributed from the payment of breeder awards to breeders of accredited Louisiana-bred horses. Transfers to Other Funds represent the use of slot machine proceeds for supporting the payment of breeders of accredited Louisiana bred horses running in Special Accredited Louisiana-bred Maiden (SALAM) races and Louisiana-bred horses running in Open Races, as defined.



**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***

Board of Directors
Louisiana Thoroughbred Breeders Association

We have audited the financial statements of **LOUISIANA THOROUGHbred BREEDERS ASSOCIATION** (a non-profit organization) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 5, 2008. We conducted our audits 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **LOUISIANA THOROUGHbred BREEDERS ASSOCIATION's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **ASSOCIATION's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **ASSOCIATION's** internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

110 VETERANS MEMORIAL BOULEVARD, SUITE 200, METAIRIE, LA 70005-4958 • 504.835.5522 • FAX 504.835.5535
5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956
5153 BLUEBONNET BOULEVARD, SUITE B, BATON ROUGE, LA 70809 • 225.296.5150 • FAX 225.296.5151
WWW.LAPORTE.COM

RSM McGladrey Network
An Independently Owned Member

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **LOUISIANA THOROUGHBRED 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Legislative Auditor of the State of Louisiana, the **LOUISIANA THOROUGHBRED 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 Legislative Auditor as a public document.

A handwritten signature in black ink, likely representing the firm's name, written in a cursive style.

A Professional Accounting Corporation

June 5, 2008

**LOUISIANA THOROUGHBRED BREEDERS
ASSOCIATION**

December 31, 2007

Audit of Financial Statements

December 31, 2007

CONTENTS

Independent Auditor's Report	1 - 2
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis	3
Statement of Revenues and Expenses - Modified Cash Basis	4
Statement of Changes in Net Assets - Modified Cash Basis	5
Notes to Financial Statements	6 - 12
Schedule I - Statements of Revenues and Expenses - Operating	13
Schedule II - Statements of Revenues and Expenses - Louisiana Horse	14
Schedule III - Statements of Revenues and Expenses - Louisiana Champions Day	15
Schedule IV - Statements of Revenues and Expenses - SALAM	16
Schedule V - Statements of Revenues and Expenses - Other Races	17
Schedule VI - Statements of Revenues and Expenses - Slot Machines	18
Schedule VII - Comparison of Budget to Actual - Operating	19
Schedule VIII - Comparison of Budget to Actual - Louisiana Horse	20
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21 - 22



Board of Directors
Louisiana Thoroughbred Breeders Association

Independent Auditor's Report

We have audited the statement of assets, liabilities and net assets - modified cash basis of **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** (the Association), a non-profit organization, as of December 31, 2007, and the related statements of revenues and expenses - modified cash basis, and changes in net assets - modified cash basis, for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the Association's policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As discussed in Note C, the Association has accrued certain revenues related to the publication of *Louisiana Horse Magazine*. If the revenues were not accrued, accounts receivable of \$178,627 would not be recorded and net assets would decrease by \$112,287 as of December 31, 2007. Excess revenues over expenses would decrease by \$112,287 for the year ended December 31, 2007.

In our opinion, except for the effects of accruing certain revenues, as discussed in a preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and net assets of **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** as of December 31, 2007, and its related revenues and expenses and changes in net assets for the year then ended on the basis of accounting described in Note A.

110 VETERANS MEMORIAL BOULEVARD, SUITE 200, METAIRIE, LA 70005-4958 • 504.835.5522 • FAX 504.835.5535
5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956
5153 BLUEBONNET BOULEVARD, SUITE B, BATON ROUGE, LA 70809 • 225.296.5150 • FAX 225.296.5151

WWW.LAPORTE.COM

RSM McGladrey Network
An Independently Owned Member

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2008, on our consideration of **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 13 - 20 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of recording accounts receivable, as discussed above, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note A. The December 31, 2006 amounts were included for comparative purposes only.

A handwritten signature in cursive script, likely representing the firm's name.

A Professional Accounting Corporation

June 5, 2008

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2007

WITH SUMMARIZED FINANCIAL INFORMATION FOR DECEMBER 31, 2006

ASSETS	Operating	Louisiana Horse	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals	
							2007	(Memorandum Only) 2006
CURRENT ASSETS								
Cash	\$ 1,890,459	\$ 124,014	\$ -	\$ -	\$ -	\$ -	\$ 2,014,473	\$ 1,274,785
Restricted Cash	167,695	-	24,021	8,467	1,486,347	4,523,149	6,209,679	7,858,039
Accounts Receivable	-	178,627	-	-	-	-	178,627	56,340
Total Current Assets	2,058,154	302,641	24,021	8,467	1,486,347	4,523,149	8,402,779	9,199,164
PROPERTY AND EQUIPMENT - NET								
Furniture and Equipment	177,454	66,531	-	-	-	-	243,985	225,481
Buildings	159,545	-	-	-	-	-	159,545	145,811
Software	9,376	-	-	-	-	-	9,376	9,376
Automobile	30,953	-	-	-	-	-	30,953	30,953
Less: Accumulated Depreciation	377,328	66,531	-	-	-	-	443,859	411,621
	(217,750)	(57,078)	-	-	-	-	(274,828)	(248,790)
Total Property and Equipment - Net	159,578	9,453	-	-	-	-	169,031	162,831
OTHER ASSETS								
Due from Breeders Sales Company	75,000	-	-	-	-	-	75,000	70,000
Cash Surrender Value - Key Man Life	231,470	-	-	-	-	-	231,470	204,960
Restricted Cash	332,130	-	-	-	-	-	332,130	288,745
Investment - Breeders Sales Company	20,000	-	-	-	-	-	20,000	20,000
Due from Other Funds	69,482	-	-	-	2,495	-	71,977	25,334
Deposits	875	-	-	-	-	-	875	875
Total Other Assets	728,957	-	-	-	2,495	-	731,452	609,914
	\$ 2,946,689	\$ 312,094	\$ 24,021	\$ 8,467	\$ 1,488,842	\$ 4,523,149	\$ 9,303,262	\$ 9,971,909

	Operating	Louisiana Horse	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
							2007	2006
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Deposits - Futurity Races	\$ 167,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,695	\$ 55,320
Total Current Liabilities	167,695	-	-	-	-	-	167,695	55,320
LONG-TERM LIABILITIES								
Deposits - Stallion Stakes	290,750	-	-	-	-	-	290,750	252,625
Deposits - Futurity Races	41,380	-	-	-	-	-	41,380	36,120
Due to Other Funds	-	69,482	2,495	-	-	-	71,977	25,334
Total Long-Term Liabilities	332,130	69,482	2,495	-	-	-	404,107	314,079
Total Liabilities	499,825	69,482	2,495	-	-	-	571,802	369,399
NET ASSETS								
	2,446,864	242,612	21,526	8,467	1,488,842	4,523,149	8,731,460	9,602,510
	\$ 2,946,689	\$ 312,094	\$ 24,021	\$ 8,467	\$ 1,488,842	\$ 4,523,149	\$ 9,303,262	\$ 9,971,909

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES - MODIFIED CASH BASIS
For the Year Ended December 31, 2007

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2006

	Operating	Louisiana Horse	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals	
							2007	2006 (Memorandum Only)
REVENUES								
Slot Machine Proceeds - 2%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,878,494	\$ 7,653,450	
Awards - 9.1%	-	-	-	-	1,145,976	1,145,976	1,185,044	
10% from Tracks	-	-	-	-	742,694	742,694	707,600	
Commissions - 2%	761,657	-	-	-	-	761,657	642,395	
Fees - 14%	373,441	-	-	-	-	373,441	441,657	
Awards - Triple Crown Races	-	-	308,017	-	-	308,017	323,791	
L.A. Quarter Horse Reimbursement	-	-	-	-	-	-	3,501	
Publications	-	398,927	-	-	-	398,927	208,263	
Interest	70,908	92	3,557	134	82,445	382,082	289,466	
SALAM Awards - 8% and 15.1%	-	-	-	127,272	-	127,272	84,250	
Members' Dues	115,280	-	-	-	-	115,280	52,590	
Accrediting Fees	74,885	-	-	-	-	74,885	44,660	
Nominations	-	-	49,500	-	-	49,500	54,750	
Sponsorship	-	-	18,500	-	-	18,500	24,335	
Silent Auction	-	-	57,186	-	-	57,186	31,275	
Interest Transfer	308,903	-	-	-	-	308,903	207,578	
Stallion Fees	-	-	15,910	-	-	15,910	19,410	
Ticket Sales	-	-	5,450	-	-	5,450	3,795	
Mare Registration	22,580	-	-	-	-	22,580	6,980	
Miscellaneous	22,130	-	-	-	-	22,130	50,510	
Total Revenues	1,749,784	399,019	458,120	127,406	1,971,115	7,103,440	11,808,884	12,035,300

	Operating	Louisiana		Louisiana Champions Day	S.A.I.A.M. Races	Other Races	Slot Machine	Totals	
		Horse	Champions Day					(Memorandum Only)	2007
EXPENSES									
Breeder's Awards					\$ 1,565,632	\$ 2,391,077	\$ 4,745,295	\$ 8,702,004	5,867,180
Purse Supplements				485,489		820,005		1,305,494	1,065,450
Stallion Awards							863,073	863,073	592,674
Salaries - Regular	328,767	69,710						398,477	346,857
Interest Transfers						80,596	228,306	308,902	207,578
Insurance	102,014							102,014	131,545
Publication Expense		130,757		39,957				130,757	129,793
Meetings and Banquets	87,434						43,659	127,391	64,564
Out of State Stakes Awards								83,747	80,203
Pension Expense	83,747							86,855	58,475
Advertising and Promotion	74,998			11,857				49,643	38,588
Computer Fees	49,132	511						29,126	28,680
Salaries - Bonus	29,126							30,485	25,385
Office Supplies	27,030	3,184		271				32,640	29,674
Payroll Taxes	32,640							30,886	25,674
Postage and Shipping	24,208	6,678							3,309
Mixed Race Awards								26,037	23,075
Depreciation	23,924	2,113						24,648	19,996
Travel	21,576	3,072						17,120	18,258
Audit	17,120							19,920	13,589
Telephone Expense	16,953	2,967						20,142	14,335
Trophies	14,238			5,904				15,049	20,830
Legal	15,049			2,512				17,308	9,253
Printing	13,685	1,111						11,058	13,154
Equipment Rental	11,058							14,850	-
Scholarships				14,850				2,700	8,250
Rent		2,700						10,214	1,890
Field Inspector	10,214							7,380	6,527
General Accounting	7,380							4,000	9,150
Contributions	4,000							4,157	7,041
Dues and Subscriptions	3,538	619						973	1,350
Utilities		973						1,924	4,665
Repairs and Maintenance	1,924							21,598	20,369
Pedigree Research		21,598						5,280	7,450
Sub-Contractors		5,280						1,250	250
Bad Debt		1,250						5,014	14,939
Website / Internet	5,014							1,895	-
Bank Charges	1,764			16		20	37	62	912
Other	62							28,315	-
Auction				28,315				93,887	99,081
Triple Crown Race Funds - LOHBA				93,887					
Total Expenses	1,006,595	252,523	683,058	1,565,690	3,291,698	5,880,370	12,679,934	9,048,373	
EXCESS (DEFICIT) REVENUES OVER EXPENSES	\$ 743,189	\$ 146,496	\$ (224,958)	\$ (1,438,284)	\$ (1,320,583)	\$ 1,223,070	\$ (871,050)	\$ 2,986,927	

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

LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS - MODIFIED CASH BASIS
For the Year Ended December 31, 2007

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2006

	Operating	Louisiana Horse	Louisiana Champions Day	SALAM Races	Other Races	Slot Machine	Totals (Memorandum Only)	
							2007	2006
NET ASSETS - BEGINNING OF YEAR	\$ 1,703,675	\$ 96,116	\$ 46,464	\$ 16,331	\$ 1,934,425	\$ 5,805,499	\$ 9,602,510	\$ 6,615,586
EXCESS (DEFICIT) REVENUES OVER EXPENSES	743,189	146,496	(224,938)	(1,438,284)	(1,320,583)	1,223,070	(871,050)	2,986,924
TRANSFER FROM (TO) OTHER FUNDS	-	-	200,000	1,430,420	875,000	(2,505,420)	-	-
NET ASSETS - END OF YEAR	\$ 2,446,864	\$ 242,612	\$ 21,526	\$ 8,467	\$ 1,488,842	\$ 4,523,149	\$ 8,731,460	\$ 9,602,510

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

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

INTRODUCTION

The **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** (the Association) is a Louisiana non-profit organization, which seeks to promote and further the thoroughbred 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 thoroughbred 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. The Association also publishes the *Louisiana Horse Magazine*, the official publication of the Association, on a quarterly basis, as well as the annual *Stallion Register*. In addition, the Association is recognized as the sole official registrar of accredited thoroughbred foals in Louisiana, as provided by Louisiana Revised Statute (R.S.) 4:178.

The Association's principal office is located at the Fair Grounds Racetrack in New Orleans. The Board of Directors can also maintain branch offices; currently there are branch offices in Opelousas and Shreveport, at Evangeline Downs and Louisiana Downs, respectively. The Association has approximately 1,400 members and is under the management and supervision of its Board of Directors. The Board of Directors is composed of 14 members, elected by the Association's membership. The Secretary-Treasurer is a full-time employee of the Association and serves as the executive director of the Association, subject to the direction and instruction of the Board of Directors, and manages the daily operations of the Association. The Association had ten full-time employees as of December 31, 2007.

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 generally accepted accounting principles primarily because certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when incurred. Also, depreciation of property and equipment is reported on the financial statements.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 generally accepted accounting principles.

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

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

To observe the limitations and restrictions placed on the use of available resources, the accounts of the Association are presented separately under fund captions that indicate the source of revenues and their availability for expenditure. These sources and uses are more fully described in Note B.

Interfund transfers are used to provide available funds to satisfy various purposes and are recognized when the transfer is made or when an interfund liability is incurred. Accordingly, the Association records interfund transactions due to and from the individual funds at December 31, 2007.

TOTAL COLUMNS - OVERVIEW

The financial statements include certain prior-year summarized comparative information in total but not by assets, liabilities, revenue, expenses and changes in net assets. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting - a comprehensive basis of accounting other than generally accepted accounting principles.

NOTE B

SOURCES AND USES OF FUNDS

As mentioned in Note A, 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:

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:

14% License Fee

To assist the Association in its promotion of the industry, R.S. 4:218 provides that the Association receives 14% of the 1.5% license fee collected by the Louisiana State Racing Commission from off-track wagering facilities. The Association uses these receipts to promote the thoroughbred breeding industry and to pay breeders' awards on thoroughbred races.

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 THOROUGHBRED BREEDERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE B

SOURCES AND USES OF FUNDS (Continued)

Other Operating Funds

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

LOUISIANA HORSE FUNDS

The Louisiana Horse Funds are generated from the activities of the *Louisiana Horse Magazine*, the official publication of the Association, as well as the annual *Stallion Register*.

LOUISIANA CHAMPIONS DAY FUNDS

R.S. 4:202 authorizes the Association 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. As provided by the legislature, seven thoroughbred and three quarter horse races are included on the same racing program. For the year ended December 31, 2007, the racing program on Louisiana Champions Day included one additional thoroughbred race which was underwritten by the host racing association.

Louisiana Champions Day purses shall be determined by the Association after consultation with the Louisiana Quarter Horse Breeders Association. Louisiana Champions Day races are funded through purses offered by participating racing associations, the appropriate breeders association, corporate contributions, funds from the Triple Crown races, and up to \$200,000 from the 9.1% funds from off-track wagering [R.S. 4:217(B)(2)(a)].

Awards - Triple Crown Race fund revenues represent all fees from pari-mutuel wagering on races held on the same day as the running of the Kentucky Derby, the Preakness, and the Belmont stakes races. These funds are paid to the Association as provided by R.S. 4:203 and are required to be placed in an interest-bearing account known as the "Louisiana Champions Day Account." During the year ended December 31, 2007, the Association received \$308,017 of Triple Crown Race Funds. These receipts were used, in full, to supplement Louisiana Champions Day purses.

SALAM RACES FUNDS

As provided by R.S. 4:184, each racing association shall offer one special accredited Louisiana-bred maiden (SALAM) thoroughbred race, each thoroughbred racing day of each race meeting, if sufficient horses are available. The Executive Committee of the Association shall specify the type, age, distance and purse of each SALAM race.

Of the commissions earned by the racing association hosting each SALAM race, R.S. 4:184(B)(1) provides that the Association receives 8%. In addition, the Association receives 15.1% of the commission on wagers made at off-track wagering facilities on each SALAM race.

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

NOTE B

SOURCES AND USES OF FUNDS (Continued)

SALAM RACES FUNDS (Continued)

The Association is obligated to use the above funds for payment of breeders' awards in accordance with a distribution formula established by the executive committee of the Association. Accordingly, the Association pays an award equal to 20% of the earned purse to the breeders of an accredited Louisiana-bred horses finishing first, second, or third in the SALAM races. Effective April 1, 2007, the award paid was increased to 22% of the earned purse.

OTHER RACES FUNDS

Other races include accredited Louisiana Bred and Open Races. An Accredited Louisiana Bred Race is one that is written exclusively for accredited Louisiana-bred horses. An Open Race is any race other than one written exclusively for accredited Louisiana-bred horses. R.S. 4:217(B)(2)(a) provides that 9.1% of the commissions collected by the off-track betting facilities, throughout the state, that are designated for purse supplements (except for SALAM and Triple Crown races) to be remitted to the Association. The Association is obligated to use these funds to supplement purses for allowance, handicap, stake races for accredited Louisiana-bred horses and to pay breeders' awards to breeders of accredited Louisiana-bred horses finishing first, second and third in Open Races at any track in Louisiana.

As provided by R.S. 4:177, each racing association authorized to conduct race meets shall pay the equivalent of 10% of the winner's share of the purse of each Open Race won by an accredited Louisiana-bred horse. The Association uses these funds together with 9.1% funds from above to pay breeders' awards to breeders of accredited Louisiana-bred horses finishing first, second, and third in Open Races at any track in Louisiana. The maximum award paid from the combined funds is 20%; however, effective April 1, 2007, the award paid was increased to 22%.

The maximum award paid by the Association on Other Races is based on a purse of \$150,000. Effective April 2007, this award was raised to \$200,000.

Over and above the purse supplements mentioned above, R.S. 4:217(B)(2)(e) provides that the Association can use up to \$200,000 of the 9.1% funds, per year to supplement purses on Louisiana Champions Day.

Finally, the Association is transferring the interest earned on these funds to the general operation of the Association. This transfer assists in covering administrative costs incurred in maintaining the breeders' awards program.

SLOT MACHINE

As prescribed by Louisiana R.S. 27:362(B)(4)(b), each licensed eligible facility shall pay a fixed percentage of two percent 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.

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

NOTE B

SOURCES AND USES OF FUNDS (Continued)

VIDEO DRAW POKER DEVICE PURSE SUPPLEMENT FUNDS

As enacted by Louisiana Revised Statute 33:4862.23(B), 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.

Two-thirds of the funds appropriated by the commission shall be allocated and provided to the licensed racing associations in the state that conduct live horse racing. These funds are appropriated based on how the number of thoroughbred race days each association conducted for the preceding year bears in proportion to the total number of thoroughbred race days conducted statewide for the preceding year. Such funds shall be used solely to supplement purses in accordance with a schedule or formula established by the purse committee of the Association on Louisiana-bred thoroughbred races scheduled for purses, not to exceed \$20,000.

Due to the fact that the Association is not in receipt of these funds, but rather the licensed racing associations that conduct live horse racing, and because the Association does not disburse these funds, but rather provides direction to the licensed racing associations on which purses for Louisiana-bred thoroughbred races will be supplemented, the financial activities of the Association do not reflect the receipts and disbursements of the licensed racing associations that conduct live horse racing.

NOTE C

TRADE RECEIVABLES

Although using the modified cash basis of accounting, as mentioned in Note A, the Association records trade receivables related to advertisements in its publication of the *Louisiana Horse Magazine* as well as its annual *Stallion Register*. Trade receivables are carried at original invoice amount. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles. Credit is extended to those who are members of the Association.

NOTE D

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. The Association capitalizes all equipment and improvements with a cost greater than \$500. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets which extends periods ranging from 3 to 40 years. When property and equipment are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included within the results of operations. Depreciation expense totaled \$26,037 for the year ended December 31, 2007.

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

NOTE E

ADVERTISING EXPENSES

The Association expenses advertising costs as they are incurred. Advertising expenses totaled \$86,855 for the year ended December 31, 2007.

NOTE F

RESTRICTED CASH

Funds received as nominations for thoroughbreds to run in races scheduled in future years are accumulated until the races are run, with the funds distributed to the horseman's bookkeeper for distribution to the winning thoroughbred owner(s). Any interest earned on these funds is considered to be operating revenue of the Association. As of December 31, 2007, the Association's deposits held for futurity and stallion stakes races are classified accordingly: \$167,695, for the 2008 futurity, in current liabilities, and \$332,130 for the 2009, 2010 and 2011 futurities and stallion stakes, in non-current liabilities.

Funds on deposit for Louisiana Champions Day, SALAM Races, Other Races and Slot Machine proceeds are restricted according to their limited use as prescribed by Louisiana Revised Statutes as described fully within Note B.

NOTE G

FUNCTIONAL CLASSIFICATION OF EXPENSES

The Association reports expenses in its Statement of Revenues and Expenses - Modified Cash Basis in the natural expense categories. Statement of Financial Accounting Standards (SFAS) No. 117 requires disclosure of expenses between the functional classifications of program and support. Program services, totaling \$11,208,179 include payments of breeders' awards, stallion awards, purse supplements, and the Louisiana Champions Day, and account for approximately 87% of the Association's expenditures. Approximately 13% of expenses are for supporting activities, totaling \$1,671,755, and include membership development and management and general expenditures.

NOTE H

INCOME TAXES

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

NOTE I

DEFINED CONTRIBUTION PENSION PLAN

The Association has a defined contribution pension plan for all employees who have reached twenty-one years of age and have a minimum of one year of service. The annual employer contribution is equal to 25% of each eligible employee's annual wages and shall be paid in January of the year following the year of eligibility. The employees do not contribute to the plan. The Association paid employer contributions under this plan totaling \$83,747 for the year ended December 31, 2007.

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

NOTE J

RELATED PARTY TRANSACTIONS

Breeders' Sales Company of Louisiana, Inc.

The Association is the sole shareholder of the Breeders' Sales Company of Louisiana, Inc. The purpose of this company is to organize and operate horse auctions in order for breeders to have a forum for selling their horses. It was formed by the Association's Board of Directors to keep the income of the two organizations separate. This investment is stated at cost, as opposed to the equity method, which is required by generally accepted accounting principles. As of December 31, 2007, the market value of this investment cannot be readily determined. As of December 31, 2007, the Retained Earnings of this company equaled \$17,815. Use of the equity method requires that the investment be carried at \$11,108, thus creating a difference of \$17,815, which is not reflected in the accompanying financial statements. The calculation of the value under the equity method at December 31, 2007, was not made, and thus the presentation of the difference between the cost and equity method at December 31, 2007, is not made in this footnote; however, the effect of the difference between cost and equity is considered immaterial to the financial statements as a whole.

The Association has deposited \$75,000 of its funds into a certificate of deposit under the name of the Breeders' Sales Company of Louisiana, Inc. for the purpose of the company complying with Department of Agriculture requirements. As of December 31, 2007, there are no set terms for the repayment of these funds to the Association.

Other Related Party Transactions

During the year ended December 31, 2007, the members of the Board of Directors had related party transactions with the Association as follows:

Included within accounts receivable is \$36,600 that is owed by various members and former members of the Board of Directors.

NOTE K

CONCENTRATION OF CREDIT RISK

The Association has deposits in three financial institutions whose balances exceed the insurance coverage provided by the Federal government. As of December 31, 2007, this balance exceeds the insurance ceiling by \$901,688. Having deposits in excess of insurance is typically created due to the timing of the year-end and the need to pay breeders awards shortly after year-end.

NOTE L

COMMITMENTS

The Association has executed an employment agreement with its Secretary-Treasurer. This agreement extends through March 30, 2009, and as amended in 2005, provides for a base salary of \$75,000 that is increased annually by a cost of living adjustment, as determined by the United States Department of Labor, plus any merit raise approved by the Board of Directors.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

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

	For the Years Ended	
	December 31,	
	2007	2006
REVENUES		
Commissions - 2%	\$ 761,657	\$ 642,395
Fees - 14%	373,441	441,657
Slot/OTB Interest Transfer	308,903	207,578
Members' Dues	115,280	52,590
Accrediting Fees	74,885	44,660
Interest Income	70,908	54,365
Mare Registration	22,580	6,980
Miscellaneous	22,130	50,510
Total Revenues	1,749,784	1,500,735
EXPENSES		
Salaries - Regular	328,767	291,346
Salaries - Bonus	29,126	28,680
Insurance	102,014	131,545
Pension Expense	83,747	80,203
Computer Fees	49,132	38,088
Advertising and Promotion	74,998	46,513
Meetings and Banquets	87,434	61,564
Office Supplies	27,030	24,167
Payroll Taxes	32,640	28,642
Postage and Shipping	24,208	20,256
Depreciation	23,924	21,924
Travel	21,576	17,513
Audit	17,120	18,258
Legal	15,049	20,830
Telephone Expense	16,953	12,047
Printing	13,685	8,885
Equipment Rental	11,058	13,154
Rent	-	8,250
Trophies	14,238	8,037
Field Inspector	10,214	1,890
General Accounting	7,380	6,522
Contributions	4,000	9,150
Dues and Subscriptions	3,538	6,942
Repairs and Maintenance	1,924	4,665
Pedigree Research	-	335
Bank Charges	1,764	533
Taxes & Licenses	62	-
Website / Internet	5,014	14,939
Miscellaneous	-	231
Total Expenses	1,006,595	925,109
EXCESS REVENUES OVER EXPENSES	\$ 743,189	\$ 575,626

See independent auditor's report.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

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

	For the Years Ended December 31,	
	2007	2006
REVENUES		
Publications	\$ 398,927	\$ 208,263
Interest Income	92	324
Total Revenues	399,019	208,587
EXPENSES		
Salaries	69,710	55,511
Publication Expense	130,757	129,793
Research	21,598	20,034
Sub-Contractors	5,280	7,450
Office Supplies	3,184	1,218
Telephone Expense	2,967	1,542
Postage and Shipping	6,678	5,418
Travel	3,072	2,483
Advertising and Promotion	-	100
Computer Fees	511	500
Payroll Taxes	-	1,032
Utilities	973	1,350
Bad Debt	1,250	250
Depreciation	2,113	1,151
Rent	2,700	-
Dues and Subscriptions	619	99
Printing & Stationery	1,111	-
Other	-	41
Total Expenses	252,523	227,972
EXCESS (DEFICIT) REVENUES OVER EXPENSES	\$ 146,496	\$ (19,385)

See independent auditor's report.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

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

	For the Years Ended	
	December 31,	
	2007	2006
REVENUES		
Awards - Triple Crown Races	\$ 308,017	\$ 323,791
Nominations	49,500	54,750
LA Quarter Horse Reimbursement	-	3,501
Silent Auction	57,186	31,275
Stallion Fees	15,910	19,410
Sponsorship	18,500	24,335
Ticket Sales	5,450	3,795
Interest	3,557	6,974
Total Revenues	458,120	467,831
EXPENSES		
Purses Paid Out	\$ 485,489	\$ 460,000
Triple Crown Race Funds - LQHBA	93,887	99,081
Meetings and Banquets	39,957	3,000
Advertising and Promotion	11,857	11,862
Trophies	5,904	6,298
Printing and Stationery	2,512	368
Bank Charges	16	-
Scholarships	14,850	-
Auction	28,315	-
Office Expense	271	28
Total Expenses	683,058	580,637
EXCESS (DEFICIT) REVENUES OVER EXPENSES	\$ (224,938)	\$ (112,806)

See independent auditor's report.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

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

	For the Years Ended	
	December 31,	
	<u>2007</u>	<u>2006</u>
REVENUES		
SALAM Awards - 8% and 15.1%	\$ 127,272	\$ 84,250
Interest	<u>134</u>	<u>140</u>
Total Revenues	<u>127,406</u>	<u>84,390</u>
EXPENSES		
Bank Charges	58	-
Breeders' Awards	<u>1,565,632</u>	<u>1,277,103</u>
Total Expenses	<u>1,565,690</u>	<u>1,277,103</u>
EXCESS (DEFICIT) REVENUES OVER EXPENSES	<u>\$ (1,438,284)</u>	<u>\$ (1,192,713)</u>

See independent auditor's report.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

**SCHEDULE V
STATEMENTS OF REVENUES AND EXPENSES
OTHER RACES**

	For the Years Ended	
	December 31,	
	<u>2007</u>	<u>2006</u>
REVENUES		
Awards - 9.1%	\$ 1,145,976	\$ 1,185,044
10% from Tracks	742,694	707,600
Interest	<u>82,445</u>	<u>71,184</u>
Total Revenues	<u>1,971,115</u>	<u>1,963,828</u>
EXPENSES		
Bank Charges	20	-
Breeders' Awards	2,391,077	2,220,412
Purse Supplements	820,005	605,450
Interest Transfers	80,596	68,644
Mixed Race Awards	<u>-</u>	<u>3,309</u>
Total Expenses	<u>3,291,698</u>	<u>2,897,815</u>
EXCESS (DEFICIT) REVENUES OVER EXPENSES	<u>\$ (1,320,583)</u>	<u>\$ (933,987)</u>

See independent auditor's report.

**SCHEDULE VI
STATEMENTS OF REVENUES AND EXPENSES
SLOT MACHINES**

	For the Years Ended	
	December 31,	
	<u>2007</u>	<u>2006</u>
REVENUES		
Slot Machine Proceeds - 2%	\$ 6,878,494	\$ 7,653,450
Interest	<u>224,946</u>	<u>156,479</u>
Total Revenues	<u>7,103,440</u>	<u>7,809,929</u>
EXPENSES		
Breeders' Awards	4,745,295	2,369,665
Stallion Awards	863,073	592,674
Out of State Stakes Awards	43,659	38,385
Transfer of Interest	228,306	138,934
Bank Charges	<u>37</u>	<u>79</u>
Total Expenses	<u>5,880,370</u>	<u>3,139,737</u>
EXCESS (DEFICIT) REVENUES OVER EXPENSES	<u>\$ 1,223,070</u>	<u>\$ 4,670,192</u>

See independent auditor's report.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

**SCHEDULE VII
COMPARISON OF BUDGET TO ACTUAL
OPERATING**

	For the Year Ended December 31, 2007		Favorable (Unfavorable)
	Budget	Actual	Variance
REVENUES			
Commissions - 2%	\$ 650,000	\$ 761,657	\$ 111,657
Fees - 14%	400,000	373,441	(26,559)
Transfer of Interest	200,000	308,903	108,903
Members' Dues	100,000	115,280	15,280
Accrediting Fees	62,500	74,885	12,385
Miscellaneous	25,000	22,130	(2,870)
Management Fee Income (BSCOL)	25,000	-	(25,000)
Interest Income	45,000	70,908	25,908
Mare Registration	5,000	22,580	17,580
Total Revenues	<u>1,512,500</u>	<u>1,749,784</u>	<u>237,284</u>
EXPENSES			
Salaries - Regular	360,000	328,767	31,233
Insurance	150,000	102,014	47,986
Pension Expense	83,747	83,747	-
Computer Fees	25,000	49,132	(24,132)
Advertising and Promotion	65,000	74,998	(9,998)
Salaries - Bonus	30,000	29,126	874
Meetings and Banquets	65,000	87,434	(22,434)
Office Supplies	25,000	27,030	(2,030)
Payroll Taxes	32,000	32,702	(702)
Postage and Shipping	24,000	24,208	(208)
Depreciation	30,000	23,924	6,076
Travel	20,000	21,576	(1,576)
Audit	20,000	17,120	2,880
Legal	25,000	15,049	9,951
Telephone Expense	15,000	16,953	(1,953)
Printing	15,000	13,685	1,315
Equipment Rental	15,000	11,058	3,942
Trophies	14,000	14,238	(238)
Field Inspector	15,000	10,214	4,786
General Accounting	7,500	7,380	120
Contributions	10,000	4,000	6,000
Dues and Subscriptions	6,000	3,538	2,462
Repairs and Maintenance	5,000	1,924	3,076
Website and Internet	25,000	5,014	19,986
Bank Charges	500	1,764	(1,264)
Total Expenses	<u>1,082,747</u>	<u>1,006,595</u>	<u>76,152</u>
EXCESS (DEFICIT) REVENUE OVER EXPENSES	<u>\$ 429,753</u>	<u>\$ 743,189</u>	<u>\$ 313,436</u>

See independent auditor's report.

**LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION**

**SCHEDULE VIII
COMPARISON OF BUDGET TO ACTUAL
LOUISIANA HORSE**

	For the Year Ended December 31, 2007		Favorable (Unfavorable) Variance
	Budget	Actual	
REVENUES			
Publications	\$ 200,000	\$ 398,927	\$ 198,927
Interest Income	250	92	(158)
Total Revenues	<u>200,250</u>	<u>399,019</u>	<u>198,769</u>
EXPENSES			
Salaries	40,000	69,710	(29,710)
Publication Expense	100,000	130,757	(30,757)
Pedigree Research	20,000	21,598	(1,598)
Sub-Contractors	10,000	5,280	4,720
Office Supplies	3,500	3,184	316
Telephone Expense	2,500	2,967	(467)
Postage	6,000	6,678	(678)
Travel	3,000	3,072	(72)
Advertising and Promotion	2,000	-	2,000
Computer Fees	2,000	511	1,489
Payroll Taxes	2,000	-	2,000
Rent	1,800	2,700	(900)
Utilities	1,350	973	377
Bad Debt	500	1,250	(750)
Depreciation	625	2,113	(1,488)
Dues and Subscriptions	250	619	(369)
Casual Labor	-	1,111	(1,111)
Bank Charges	50	-	50
Total Expenses	<u>195,575</u>	<u>252,523</u>	<u>(56,948)</u>
EXCESS (DEFICIT) REVENUES OVER EXPENSES	<u>\$ 4,675</u>	<u>\$ 146,496</u>	<u>\$ 141,821</u>

See independent auditor's report.



**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**

Board of Directors
Louisiana Thoroughbred Breeders Association

We have audited the financial statements of **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION** (a non-profit organization) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 5, 2008. We conducted our audits 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **LOUISIANA THOROUGHBRED BREEDERS ASSOCIATION's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **ASSOCIATION's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **ASSOCIATION's** internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

110 VETERANS MEMORIAL BOULEVARD, SUITE 200, METAIRIE, LA 70005-4958 • 504.835.5522 • FAX 504.835.5535
5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956
5153 BLUEBONNET BOULEVARD, SUITE B, BATON ROUGE, LA 70809 • 225.296.5150 • FAX 225.296.5151
WWW.LAPORTE.COM

RSM McGladrey Network
An Independently Owned Member

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **LOUISIANA THOROUGHBRED 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Legislative Auditor of the State of Louisiana, the **LOUISIANA THOROUGHBRED 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 Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read "Deloitte, Deloitte, Long & Neal".

A Professional Accounting Corporation

June 5, 2008