

**THE FLORIDA HORSEMEN'S BENEVOLENT
& PROTECTIVE ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2015



Gerstle, Rosen & Goldenberg, P.A.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
The Florida Horsemen's Benevolent
& Protective Association, Inc.

Dear Members:

Report on the Financial Statements

We have audited the accompanying statement of financial position for The Florida Horsemen's Benevolent & Protective Association, Inc., as of December 31, 2015, and the related statement of activities - unrestricted and changes in net assets, and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Florida Horsemen's Benevolent & Protective Association, Inc., as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Detailed Statement of Activities - Unrestricted Budget and Prior Year Comparison 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 the 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Gerstle, Rosen & Goldenberg, P.A.

GERSTLE, ROSEN & GOLDENBERG, P.A.
Certified Public Accountants
Aventura, Florida

August 18, 2016

THE FLORIDA HORSEMEN'S BENEVOLENT
& PROTECTIVE ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2015

	<u>UNRESTRICTED</u>
ASSETS	
Cash	\$ 912,458
Other Receivables	506
Due from Affiliates (Note 4)	130,475
Prepaid Insurance	6,551
TOTAL ASSETS	<u>\$ 1,049,990</u>
LIABILITIES	
Accounts Payable	\$ 36,630
Payroll Taxes Payable	401
Income Taxes Payable	17,936
TOTAL LIABILITIES	<u>54,967</u>
NET ASSETS	
Unrestricted Net Assets	995,023
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,049,990</u>

The accompanying notes are an integral part of this financial statement.

**THE FLORIDA HORSEMEN'S BENEVOLENT
& PROTECTIVE ASSOCIATION, INC.**

STATEMENT OF ACTIVITIES - UNRESTRICTED

Year Ended December 31, 2015

	UNRESTRICTED
REVENUES	
Purse Contributions	\$ 1,629,856
FHBC Management Fees (Note 5)	55,000
Interest Income	668
Other Income	203
TOTAL REVENUES	1,685,727
EXPENSES	
Accounting	11,175
Commissary	5,809
Consulting Expense	56,481
Benevolence, Medical, Other	399,993
Bank Charges	346
Computer Support	8,858
Casual Labor	995
Dues and Subscriptions	7,653
Equipment Lease	12,758
Equine Inquiries	184
Groom Elite Program/Promotions	20,965
Income Tax Expense	156,732
Industry Promotion	28,669
Insurance	49,142
Legal	53,824
NHBPA Dues	52,000
NHBPA Other	1,500
Office Expense	27,017
Owner Benefits	49,031
PAC Account	8,500
Payroll Expense	404,237
Payroll Benefits - Pension (Note 7)	8,539
Penalty & Interest Expense	693
Printing, Postage, Freight	17,812
Public Relations	24,641
Recruitment	4,043
Repairs and Maintenance	1,649
Scholarship Expense	8,000
Stipend	12,500
Telephone	15,870
Travel Expense	36,848
TOTAL EXPENSES	1,486,464
CHANGE IN NET ASSETS	199,263
NET ASSETS - BEGINNING OF YEAR	795,760
NET ASSETS - END OF YEAR	\$ 995,023

The accompanying notes are an integral part of this financial statement.

THE FLORIDA HORSEMEN'S BENEVOLENT
& PROTECTIVE ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
INCREASE IN UNRESTRICTED NET ASSETS	\$ 199,263
ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
DECREASE (INCREASE) IN ASSETS:	
Due from Affiliates	(2,027)
Prepaid Insurance	(51)
INCREASE (DECREASE) IN LIABILITIES:	
Accounts Payable	(39,429)
Payroll Taxes Payable	179
Income Taxes Payable	8,747
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>166,682</u>
NET INCREASE IN CASH	166,682
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>745,776</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 912,458</u>

The accompanying notes are an integral part of this financial statement.

THE FLORIDA HORSEMEN'S BENEVOLENT
& PROTECTIVE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Florida Horsemen's Benevolent Association, Inc. and the Florida Division of the Horsemen's Benevolent and Protective Association merged into The Florida Horsemen's Benevolent & Protective Association, Inc. (The "Association") in January 1989 and is located in Hallandale, Florida. The Association was established on September 2, 1988 as a non-profit corporation organized exclusively for benevolent purposes of thoroughbred trainers, their employees, and backstretch personnel. The Association supports different programs, provides medical care through insurance plans for its members and employees, and offers other services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Association has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statement of Not-for-Profit Organizations" for financial statement reporting purposes. SFAS No. 117 requires an organization to report information regarding its financial position and activities according to three classes of net assets: (1) unrestricted net assets, (2) temporarily restricted net assets, and (3) permanently restricted net assets and to present a statement of cash flows. The Association's net assets are considered as "unrestricted net assets" which are funds that are fully available at the discretion of management and the Board of Directors, to utilize in any of the Association's programs or supporting services.

Use of Estimates

The Association uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. 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 vary from the estimates that were used.

Cash and Cash Equivalents

For presentation purposes, the Association consolidates checking and money market fund accounts.

Capitalization and Depreciation Policy

Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line and accelerated methods.

Purse Contributions

The Association enters into contracts with race track operators which provide that percentages of purses and interest on specific horsemen's bank accounts be paid to the Association under stipulated conditions.

THE FLORIDA HORSEMEN'S BENEVOLENT
& PROTECTIVE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
Continued

December 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing The Florida Horsemen's Benevolent & Protective Association, Inc.'s programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the various functions.

Subsequent Events

The subsequent events have been evaluated through August 18, 2016, the date the financial statements were available to be issued. As of that date, there are no subsequent events to be reported.

Fair Value Measurements

Under FASB ASC 820, Fair Value Measurements and Disclosures, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Association has determined that there was no material difference between the carrying value and the fair value of its financial assets and liabilities at December 31, 2015 and therefore, no adjustment for the effect of FASB ASC 820 was made to the Associations' financial statements at December 31, 2015.

3. OTHER RECEIVABLES

Advances for employee health insurance in the amount of \$506 are included in other receivables and will be reimbursed to the Association in the following year.

4. DUE FROM AFFILIATES

The Association maintains unpaid simulcast and bookkeeping fees in the amount of \$130,475 from Gulfstream Race Track.

5. MANAGEMENT FEES – AFFILIATED PARTY

The Association charges a management fee to an affiliated company, Florida Horsemen's Bookkeeper Corp. ("FHBC"), for use of its employees. Management fees charged by the Association to the affiliated company for the year ended December 31, 2015 totaled \$55,000.

THE FLORIDA HORSEMEN'S BENEVOLENT
& PROTECTIVE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
Continued

December 31, 2015

6. INCOME TAXES

For income tax purposes, the Association is treated as a "for profit" corporation with revenues derived from contributions, interest bearing accounts and other profit activities subject to Federal and state taxation. As of December 31, 2015, the Association reported a taxable net gain of \$355,955.

The Association will file its 2015 Federal income tax return on Form 1120. For the current year ended December 31, 2015 the Association has a provision for income taxes.

The current year provision consists of:

Federal	\$136,318
State of Florida	<u>20,425</u>
Total	<u>\$156,743</u>

The Association has evaluated its tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC").

The Association has no income tax returns under examination by the Internal Revenue Service. The Association believes it is no longer subject to income tax examinations for years prior to 2013.

7. PENSION PLAN

The Association has a non-contributory defined contribution pension plan (the "Plan") covering all employees. Contributions to the Plan by the Association are based on a percentage of payroll compensation to Association employees. In 2015 pension plan contributions were \$8,539.

8. LEGAL MATTERS / CONTINGENCY

The Association is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. Management believes that none of the claims and complaints of which it is currently aware will materially affect its business, financial position, or future operating results with the exception to increase in legal costs which may or may not be covered by the Association's director and officers insurance, although no assurance can be given with respect to the ultimate outcome of any such claims or with respect to the occurrence of any future claims.

9. RELATED PARTIES

On June 29, 2013, at a duly noticed meeting of the Board, the Board approved payments in the amount of \$4,167 per month to an officer of the Board for his extensive services and time given to the Association beyond what is normally expected of an officer or Board member. The stipend payments ended after March 2015 and the total amount paid to the officer in 2015 was \$12,500.

THE FLORIDA HORSEMEN'S BENEVOLENT
& PROTECTIVE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
Continued

December 31, 2015

10. CONCENTRATION OF CREDIT RISK

As of December 31, 2015, the Association maintained cash and cash equivalent balances which exceeded the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The Association has not experienced any losses related to these cash balances and believes it is not exposed to any significant risk on these accounts.

11. REVENUES

The Association receives revenues from various sources including Calder and Gulfstream race tracks. Funds received are based on simulcast consent fees, percentages of purses, pari-mutual operations and wagering pursuant to individual agreements with each track. The Association also receives a management fee from Florida Horsemen's Bookkeeper Corporation. For the year ended December 31, 2015, revenues are as follows:

	<u>Revenues</u>
Gulfstream	1,509,856
Horsemen's Bookkeeper	120,000
FHBC Mgmt Fee	55,000
Other	203
Interest	668
Total	<u>\$1,685,727</u>

SUPPLEMENTARY INFORMATION

THE FLORIDA HORSEMEN'S BENEVOLENT
& PROTECTIVE ASSOCIATION, INC.

SUPPLEMENTAL INFORMATION

COMPARATIVE STATEMENT OF ACTIVITIES - UNRESTRICTED
& BUDGET COMPARISON

Years Ended December 31, 2015 and December 31, 2014

	2015 UNRESTRICTED	2015 BUDGET (Unaudited)	2014 UNRESTRICTED
REVENUES:			
Purse Contributions	\$1,629,856	\$1,520,100	\$1,646,256
FHBC Management Fees	55,000	25,000	22,628
Legal Recovery	0	0	58,750
Interest Income	668	900	1,083
Other Income	203	2,400	1,511
TOTAL REVENUES	1,685,727	1,548,400	1,730,228
EXPENSES:			
Accounting	11,175	13,000	12,000
Commissary	5,809	7,000	6,523
Consulting Expense	56,481	75,000	60,117
Benevolence, Medical, Other	399,993	522,300	478,305
Bank Charges	346	0	537
Computer Support	8,858	6,000	4,416
Casual Labor	995	1,500	1,247
Dues & Subscriptions	7,653	12,000	10,567
Equipment Lease	12,758	9,000	7,897
Equine Inquiries	184	100	248
Groom Elite Programs & Promotions	20,965	20,000	14,451
Income Tax Expense	156,732	75,000	148,903
Industry Promotion	28,669	50,000	31,379
Insurance	49,142	46,000	44,950
Legal	53,824	60,000	38,345
NHBPA Dues	52,000	52,000	47,000
NHBPA Other	1,500	0	3,000
Office Expense	27,017	22,000	20,667
Owner Benefits	49,031	65,000	54,823
PAC Account	8,500	16,000	15,000
Payroll Expense	404,237	400,000	416,564
Payroll Benefits - Pension (Note 7)	8,539	10,000	9,483
Penalty & Interest Expense	693	0	286
Printing, Postage, Freight	17,812	20,000	20,283
Public Relations	24,641	0	11,457
Recruitment	4,043	0	0
Repairs & Maintenance	1,649	3,000	0
Scholarship Expense	8,000	6,000	5,200
Stipend	12,500	12,500	50,000
Telephone	15,870	14,000	13,537
Travel Expense	36,848	31,000	26,823
TOTAL EXPENSES	1,486,464	1,548,400	1,554,008
CHANGE IN NET ASSETS	\$199,263	\$0	\$176,220

See independent auditors' report.