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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, 2014, 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, 2014, 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

July 29, 2015

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

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2014**

|   | <b>UNRESTRICTED</b> |
|---|---------------------|
| <b>ASSETS</b>                               |                     |
| Cash  | \$ 745,776          |
| Other Receivables                           | 446                 |
| Due from Affiliates (Note 4)                | 128,508             |
| Prepaid Insurance                           | 6,500               |
| <b>TOTAL ASSETS</b>                         | <b>\$ 881,230</b>   |
| <b>LIABILITIES</b>                          |                     |
| Accounts Payable                            | \$ 76,059           |
| Payroll Taxes Payable                       | 222                 |
| Income Taxes Payable                        | 9,189               |
| <b>TOTAL LIABILITIES</b>                    | <b>85,470</b>       |
| <b>NET ASSETS</b>                           |                     |
| Unrestricted Net Assets                     | 795,760             |
| <b>TOTAL LIABILITIES<br/>AND NET ASSETS</b> | <b>\$ 881,230</b>   |

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, 2014**

|                                       | <b>UNRESTRICTED</b> |
|---------------------------------------|---------------------|
| <b>REVENUES</b>                       |                     |
| Purse Contributions                   | \$ 1,646,256        |
| Legal Recovery                        | 58,750              |
| FHBC Management Fees (Note 5)         | 22,628              |
| Interest Income                       | 1,083               |
| Other Income                          | 1,511               |
| <b>TOTAL REVENUES</b>                 | <b>1,730,228</b>    |
| <b>EXPENSES</b>                       |                     |
| Accounting                            | 12,000              |
| Commissary                            | 6,523               |
| Consulting Expense                    | 60,117              |
| Benevolence, Medical, Other           | 478,305             |
| Bank Charges                          | 537                 |
| Computer Support                      | 4,416               |
| Casual Labor                          | 1,247               |
| Dues and Subscriptions                | 10,567              |
| Equipment Lease                       | 7,897               |
| Equine Inquiries                      | 248                 |
| Groom Elite Program/Promotions        | 14,451              |
| Income Tax Expense                    | 148,903             |
| Industry Promotion                    | 31,379              |
| Insurance                             | 44,950              |
| Legal                                 | 38,345              |
| NHBPA Dues                            | 47,000              |
| NHBPA Other                           | 3,000               |
| Office Expense                        | 20,667              |
| Owner Benefits                        | 54,823              |
| PAC Account                           | 15,000              |
| Payroll Expense                       | 416,564             |
| Payroll Benefits - Pension (Note 7)   | 9,483               |
| Penalty Expense                       | 286                 |
| Printing, Postage, Freight            | 20,283              |
| Public Relations                      | 11,457              |
| Scholarship Expense                   | 5,200               |
| Stipend                               | 50,000              |
| Telephone                             | 13,537              |
| Travel Expense                        | 26,823              |
| <b>TOTAL EXPENSES</b>                 | <b>1,554,008</b>    |
| <b>CHANGE IN NET ASSETS</b>           | <b>176,220</b>      |
| <b>NET ASSETS - BEGINNING OF YEAR</b> | <b>619,540</b>      |
| <b>NET ASSETS - END OF YEAR</b>       | <b>\$ 795,760</b>   |

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, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

**INCREASE IN UNRESTRICTED NET ASSETS** \$ 176,220

**ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN  
NET ASSETS TO NET CASH PROVIDED BY (USED IN)  
OPERATING ACTIVITIES**

**DECREASE (INCREASE) IN ASSETS:**

|                     |         |
|---------------------|---------|
| Due from Allifiates | 41,404  |
| Prepaid Insurance   | (1,895) |
| Prepaid IncomeTaxes | 9,978   |

**INCREASE (DECREASE) IN LIABILITIES:**

|                       |              |
|-----------------------|--------------|
| Accounts Payable      | 42,045       |
| Payroll Taxes Payable | (183)        |
| Income Taxes Payable  | <u>9,189</u> |

**NET CASH PROVIDED BY  
OPERATING ACTIVITIES**

276,758

**NET DECREASE IN CASH**

276,758

**CASH AND CASH EQUIVALENTS  
AT BEGINNING OF PERIOD**

469,018

**CASH AND CASH EQUIVALENTS  
AT END OF PERIOD**

\$ 745,776

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, 2014**

**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, 2014**

**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 July 29, 2015, 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, 2014 and therefore, no adjustment for the effect of FASB ASC 820 was made to the Associations' financial statements at December 31, 2014.

**3. OTHER RECEIVABLES**

Advances for employee health insurance in the amount of \$446 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 \$110,848 from Gulfstream Race Track, reimbursement for a sign from Gulfstream for \$7,660 and \$10,000 for management fees from Florida Horsemen Bookkeeper Corporation ("FHBC") as "Due from Affiliates". At December 31, 2014, the total Due from Affiliates is \$128,508.

**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, 2014 totaled \$169,375.

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

**NOTES TO FINANCIAL STATEMENTS  
Continued**

**December 31, 2014**

**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, 2014, the Association reported a taxable net gain of \$176,220.

The Association will file its 2014 Federal income tax return on Form 1120. For the current year ended December 31, 2014 the Association has a provision for income taxes.

The Association has no income tax returns under examination by the Internal Revenue Service. However, the Association's Federal income tax returns for 2012, 2013 and 2014 are subject to examination, generally for three years after they are filed.

The current year provision consists of:

|                  |                         |
|------------------|-------------------------|
| Federal          | \$129,624               |
| State of Florida | <u>19,279</u>           |
| Total            | <u><u>\$148,903</u></u> |

**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 2014 pension plan contributions were \$9,241.

**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. In 2014, the total amount paid to the officer was \$50,000.



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

**NOTES TO FINANCIAL STATEMENTS  
Continued**

**December 31, 2014**

**10. CONCENTRATION OF CREDIT RISK**

As of December 31, 2014, 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, 2014, revenues are as follows:

|                       | <u>Revenues</u>    |
|-----------------------|--------------------|
| Calder                | \$142,604          |
| Gulfstream            | 1,334,277          |
| Horsemen's Bookkeeper | 169,375            |
| FHBC Mgmt Fee         | 22,628             |
| Legal Reimbursement   | 58,750             |
| Other                 | 1,510              |
| Interest              | <u>1,084</u>       |
| Total                 | <u>\$1,730,228</u> |

## **SUPPLEMENTARY INFORMATION**

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

**SUPPLEMENTAL INFORMATION**

**COMPARATIVE STATEMENT OF ACTIVITIES - UNRESTRICTED  
& BUDGET COMPARISON**

Years Ended December 31, 2014 and December 31, 2013

|                                     | 2014<br><u>UNRESTRICTED</u> | 2014<br><u>BUDGET</u><br>(Unaudited) | 2013<br><u>UNRESTRICTED</u> |
|-------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
| <b>REVENUES:</b>                    |                             |                                      |                             |
| Purse Contributions                 | \$1,646,256                 | \$1,465,979                          | \$1,419,779                 |
| FHBC Management Fees                | 22,628                      | 25,000                               | 27,086                      |
| Legal Recovery                      | 58,750                      | 0                                    | 0                           |
| Interest Income                     | 1,083                       | 1,525                                | 1,489                       |
| Other Income                        | 1,511                       | 7,496                                | 0                           |
| <b>TOTAL REVENUES</b>               | <u>1,730,228</u>            | <u>1,500,000</u>                     | <u>1,448,354</u>            |
| <b>EXPENSES:</b>                    |                             |                                      |                             |
| Accounting                          | 12,000                      | 15,000                               | 16,130                      |
| Commissary                          | 6,523                       | 8,000                                | 6,429                       |
| Consulting Expense                  | 60,117                      | 78,000                               | 60,252                      |
| Benevolence, Medical, Other         | 478,305                     | 450,000                              | 382,854                     |
| Bank Charges                        | 537                         | 0                                    | 320                         |
| Computer Support                    | 4,416                       | 12,000                               | 12,604                      |
| Casual Labor                        | 1,247                       | 2,000                                | 1,433                       |
| Dues & Subscriptions                | 10,567                      | 10,000                               | 6,125                       |
| Equipment Lease                     | 7,897                       | 10,000                               | 7,591                       |
| Equine Inquiries                    | 248                         | 500                                  | 293                         |
| Groom Elite Programs & Promotions   | 14,451                      | 18,000                               | 5,766                       |
| Income Tax Expense                  | 148,903                     | 75,000                               | 55,807                      |
| Industry Promotion                  | 31,379                      | 42,000                               | 24,664                      |
| Insurance                           | 44,950                      | 46,000                               | 42,167                      |
| Legal                               | 38,345                      | 60,000                               | 100,916                     |
| Licenses, Taxes & Fees              | 0                           | 0                                    | 4,709                       |
| Litigation                          | 0                           | 0                                    | 66,000                      |
| NHBPA Dues                          | 47,000                      | 47,000                               | 47,000                      |
| NHBPA Other                         | 3,000                       | 0                                    | 1,850                       |
| Office Expense                      | 20,667                      | 27,000                               | 24,230                      |
| Owner Benefits                      | 54,823                      | 68,000                               | 29,890                      |
| PAC Account                         | 15,000                      | 5,000                                | 0                           |
| Payroll Expense                     | 416,564                     | 407,000                              | 386,335                     |
| Payroll Benefits - Pension (Note 7) | 9,483                       | 10,000                               | 9,504                       |
| Penalty Expense                     | 286                         | 0                                    | 0                           |
| Printing, Postage, Freight          | 20,283                      | 20,000                               | 15,085                      |
| Public Relations                    | 11,457                      | 0                                    | 18,708                      |
| Repairs & Maintenance               | 0                           | 2,000                                | 617                         |
| Scholarship Expense                 | 5,200                       | 0                                    | 4,000                       |
| Security Service - FHBC             | 0                           | 0                                    | 6,505                       |
| Stipend                             | 50,000                      | 50,000                               | 25,000                      |
| Telephone                           | 13,537                      | 13,000                               | 10,794                      |
| Travel Expense                      | 26,823                      | 24,500                               | 23,164                      |
| <b>TOTAL EXPENSES</b>               | <u>1,554,008</u>            | <u>1,500,000</u>                     | <u>1,396,742</u>            |
| <b>CHANGE IN NET ASSETS</b>         | <u>\$176,220</u>            | <u>\$0</u>                           | <u>\$51,612</u>             |

See independent auditors' report.