



**Gerstle, Rosen & Goldenberg, P.A.**  
Certified Public Accountants

Mark R. Gerstle, C.P.A.  
mgerstle@grgcpa.com

Robert N. Rosen, C.P.A.  
rosen@grgcpa.com

Brian K. Goldenberg, Partner  
bgoldenberg@grgcpa.com

**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, 2013, 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.

2630 CENTRE  
2630 N.E. 203rd Street  
Suite 104  
Aventura, Florida 33180  
Phone: 305-937-0116  
Fax: 305-937-0128  
Fax: 305-937-0337

THE PORTICOS  
3835 N.W. Boca Raton Blvd.  
Suite 100  
Boca Raton, Florida 33431  
Phone: 561-447-4000  
Fax: 561-447-4004

999 Vanderbilt Beach Road  
Suite 200  
Naples, Florida 34108  
Phone: 239-262-1773  
Fax: 239-263-0166

7380 Sand Lake Road  
Suite 500  
Orlando, Florida 32819  
Phone: 407-352-3214  
Fax: 407-351-1901

## **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, 2013, 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 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

June 2, 2014

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

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2013**

	<u>UNRESTRICTED</u>
<b>ASSETS</b>	
Cash	\$ 469,018
Other Receivables	377
Due from Affiliates (Note 4)	169,981
Prepaid Insurance	4,605
Prepaid Income Taxes	9,978
<b>TOTAL ASSETS</b>	<u><u>\$ 653,959</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 34,014
Payroll Taxes Payable	405
<b>TOTAL LIABILITIES</b>	<u><u>34,419</u></u>
<b>NET ASSETS</b>	
Unrestricted Net Assets	619,540
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 653,959</u></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, 2013

	<b>UNRESTRICTED</b>
<b>REVENUES</b>	
Purse Contributions	\$ 1,419,779
FHBC Management Fees (Note 5)	27,086
Interest Income	1,489
Other Income	2,593
<b>TOTAL REVENUES</b>	<b>1,450,947</b>
<b>EXPENSES</b>	
Accounting	16,130
Advertising	2,891
Commissary	6,429
Consulting Expense	60,252
Benevolence	382,854
Bank Charges	320
Computer Support	12,604
Casual Labor	1,433
Dues and Subscriptions	6,125
Equipment Lease	7,591
Equine Inquiries	293
Groom Elite Program/Promotions	5,766
Income Tax Expense	55,807
Industry Promotion	21,773
Insurance	42,167
Legal	100,916
Licenses, Taxes & Fees	4,709
Litigation	66,000
NHBPA Dues	47,000
NHBPA Other	1,850
Office Expense	24,230
Owner Benefits	29,890
Payroll Expense	388,335
Payroll Benefits - Pension (Note 7)	9,504
Printing, Postage, Freight	15,085
Public Relations	18,708
Repairs and Maintenance	617
Scholarship Expense	4,000
Security Service - FHBC	6,505
Stipend	25,000
Telephone	10,794
Travel Expense	23,164
<b>TOTAL EXPENSES</b>	<b>1,396,742</b>
<b>CHANGE IN NET ASSETS</b>	<b>54,205</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>565,335</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 619,540</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, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>\$ 54,205</b>
<b>ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	
<b>DECREASE (INCREASE) IN ASSETS:</b>	
Due from Allifiates	(16,851)
Prepaid Insurance	(301)
Prepaid Income Taxes	(9,978)
<b>INCREASE (DECREASE) IN LIABILITIES:</b>	
Accounts Payable	(2,159)
Payroll Taxes Payable	4
Income Taxes Payable	<u>(29,506)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b><u>(4,586)</u></b>
<b>NET DECREASE IN CASH</b>	<b>(4,586)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b><u>473,604</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>\$ 469,018</u></b>

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, 2013**

**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. 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, 2013**

**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, 2013, the Association reported a taxable net gain of \$54,205.

The Association will file its 2013 Federal income tax return on Form 1120. For the current year ended December 31, 2013, 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 2011, 2012 and 2013 are subject to examination, generally for three years after they are filed.

The current year provision consists of:

Federal	\$48,927
State of Florida	<u>6,880</u>
Total	<u>\$55,807</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 2013 pension plan contributions were \$9,504.

**8. LEGAL MATTERS / CONTINGENCY / SETTLEMENT**

Settlement

In July 2007, a lawsuit was filed against the Association by two members of the Association regarding the internal affairs of the FHBPA and claims that they were personally damaged and harmed. As of December 31, 2012, both lawsuits were settled, however, the Association was ordered by the Court in 2013 to pay \$66,000 to the plaintiff for legal fees incurred in the case.

Contingency

The Association is involved in a legal matter and pending litigation related to the State of Florida Division of Pari-Mutual Wagering, the Division of Administrative Hearings and The Florida Quarter Horse Owners and Breeders Association. No contingency has been accrued as the cost and outcome of this litigation cannot be determined at this time.

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

**NOTES TO FINANCIAL STATEMENTS  
Continued**

**December 31, 2013**

**9. RELATED PARTIES / SUBSEQUENT EVENT**

On July 29, 2013, at a duly noticed meeting of the Board, the Board approved a \$25,000 payment 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 Board also approved monthly payments to be made to the officer in 2014.

**10. CONCENTRATION OF CREDIT RISK**

As of December 31, 2013, 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, Tropical 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, 2013, revenues are as follows:

	<u>Revenues</u>
Calder	\$212,969
Tropical	117,577
Gulfstream	898,051
Tampa Bay	5,000
Horsemen's Bookkeeper	186,182
FHBC Mgmt Fee	27,086
Other	2,593
Interest	1,489
Total	<u>\$1,450,947</u>