**THE PENNSYLVANIA DIVISION,
HORSEMEN'S BENEVOLENT & PROTECTIVE
ASSOCIATION
BENEFIT TRUST**

FINANCIAL REPORT

DECEMBER 31, 2022

MaherDuessel

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Independent Auditor's Report

Board of Directors and Secretary Monson, Pennsylvania Office of the Budget
Pennsylvania Division, Horsemen's Benevolent & Protective Association Benefit Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Pennsylvania Division, Horsemen's Benevolent & Protective Association Benefit Trust (Trust), which comprise the statement of net assets available for benefits as of December 31, 2022, and the related statements of changes in net assets available for benefits and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Trust as of December 31, 2022, and the changes in its net assets available for benefits and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Maher Duessel

Harrisburg, Pennsylvania
September 26, 2023

THE PENNSYLVANIA DIVISION,
HORSEMEN'S BENEVOLENT & PROTECTIVE ASSOCIATION
BENEFIT TRUST

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2022

Assets		
Cash and cash equivalents	**$**	**419,450**
Contributions receivable		**129,915**
Due from Members		**4,283**
Property and equipment - net of accumulated depreciation		**114,744**
Total Assets	**$**	**668,392**
Liabilites and Net Assets		
Accounts payable	**$**	**21,548**
Net assets available for benefits		**620,519**
Total Liabilities and Net Assets	**$**	**668,392**

See Notes to Financial Statements.

THE PENNSYLVANIA DIVISION,
HORSEMEN'S BENEVOLENT & PROTECTIVE ASSOCIATION
BENEFIT TRUST

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year Ended December 31, 2022

Additions To Net Assets Attributed To:		
Plan contributions	$	**497,452**
Horsemen bookkeeper reverts - net		**181,001**
Rental income		**6,973**
Interest income		**624**
Miscellaneous		**8,849**
Total additions		**694,899**
Deductions From Trust Assets Attributed To:		
Payments for:		
Medical benefits		**83,969**
Dental benefits		**129,244**
Vision benefits		**78,380**
Death benefits		**-**
Miscellaneous benefits		**866**
		292,459
Administrative Expenses:		
Professional services		**45,873**
Utilities and maintenance		**-**
Plan administration		**990**
Depreciation		**4,196**
		51,059
Total deductions		**343,518**
Changes in net assets		**351,381**
Net Assets Available for Benefits:		
Beginning		**269,138**
Ending	$	**620,519**

See Notes to Financial Statements.

**THE PENNSYLVANIA DIVISION,
HORSEMEN'S BENEVOLENT & PROTECTIVE ASSOCIATION
BENEFIT TRUST**

**STATEMENT OF CASH FLOWS
Year Ended December 31, 2022**

Cash Flows From Operating Activities:		
Changes in net assets	$	351,381
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation		4,196
Changes in assets and liabilities:		
Increase in:		
Contributions receivable		(48,693)
Decrease in:		
Accounts payable		11,439
Due to Affiliate		26,325
Net cash provided by operating activities		340,365
Net increase in cash and cash equivalents		340,365
Cash and Cash Equivalents:		
Beginning		79,085
Ending	$	419,450

See Notes to Financial Statements.

Note 1. Description of the Plan

The following description of The Pennsylvania Division, Horsemen's Benevolent & Protective Association Benefit Trust (Trust) provides only general information. Participants should refer to the Trust agreement for a more complete description on the Trust's provisions. The Pennsylvania Division, Horsemen's Benevolent and Protective Association Health Benefit Plan (Plan) was adopted by the Trust.

The Trust was established to provide benevolence benefits to trainers and other individuals whose primary compensation is derived from racing, training, and care of thoroughbred race horses. Benefits are determined by the Trustees and are for the purpose of fostering the growth and general welfare of the industry.

The Plan provides the following benefits:

<u>General Benefits</u>: The Plan provides health benefits (hospital, surgical, major medical, dental, vision), death and emergency benefits (determined on a financial need basis and approved by the Trustees) covering Trainers (Members) who have their horses stabled on a full-time basis at Penn National Race Course or another stabling area approved by the Pennsylvania Division, Horsemen's Benevolent & Protective Association, Inc. (Association) at least 30 days prior to the date his/her participation is to commence at Presque Isle Race Course; 60 days prior to commence at Penn National Race Course. Additionally, to qualify, the Trainers must be duly licensed by the Pennsylvania State Horse Racing Commission and have their primary place of business in Pennsylvania.

Other eligible participants of the Plan include Trainer's employees. The Plan pays benefits to Member/Employees who are employed on a substantially full-time basis and their dependents up to age 19. No Member shall become a participant until he has completed an application. The Plan also provides funding for a free health clinic for trainers and grooms. The Plan also provides a doctor on-site to treat the participants for the common cold and/or other minor procedures, which the Plan does not cover.

<u>Contributions</u>: By agreement with the Mountainview Thoroughbred Racing Association and the Pennsylvania National Turf Club, Inc., dated July 1, 2019, 3% of the purse money paid to the owner of the winning horse is to be allocated to the Pennsylvania Division Horsemen's Benevolent and Protective Association. A Board Resolution, adopted in 2019, directs 2% of the monthly purse money paid to be transferred directly to the Trust for the benefit of its members, and the remaining 1% is retained within the Association. The amount received for membership contributions in 2022 was $497,452. The live racing agreement also provides that all unclaimed inactive horsemen's bookkeeper accounts shall be turned over to the Trust for purposes described in the Trust agreement. The amount received for horsemen bookkeeper reverts – net in 2022 was $181,001.

Note 2. Summary of Significant Accounting Policies

<u>Basis of Accounting</u>: The Trust's financial statements have been prepared using the accrual basis of accounting. The accrual basis of accounting is in accordance with accounting principles generally accepted in the United States of America and provide that revenue be recognized when earned and expenses are recorded when the corresponding liability is incurred.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment: Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the individual assets. The Trust follows the practice of capitalizing expenditures for property and equipment with a cost greater than $1,000 and a useful life greater than one year.

Administrative Fees: Administrative expenses are paid by the Trust if not paid by the Association.

Subsequent Events: In preparing these financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through the Independent Auditor's report date, which is the date the financial statements were available to be issued.

Note 3. Cash and Cash Equivalents

The total amount being carried as cash represents a petty cash account, the operating (checking account) and an interest bearing money market account. At times, these deposits may exceed federally insured limits. The Trust has not experienced any loss from maintaining its cash accounts in excess of federally insured limits. Management believes it is not exposed to any significant credit risks on its cash accounts.

Note 4. Property and Equipment

The following is a summary of property and equipment, at cost less accumulated depreciation, at December 31, 2022:

	2022
Building - clinic/laundromat	$ 157,512
EKG machine	3,433
Clinic Sign	2,200
Security system	4,543
	167,688
Less: accumulated depreciation	(52,944)
	$ 114,744

Depreciation of property and equipment amounted to $4,196 for 2022.

Note 5. Related Party Transaction

In prior years, the Pennsylvania Horsemen Benevolent & Protective Association, Inc. (Association) loaned working capital to the Trust to help pay for medical benefits. The Trust charges rent to the Association of $581 monthly for the portion of the building being used for laundry services by the Association. The terms of the rental agreement are month-to-month. Rental income for the year ended December 31, 2022 totaled $6,973. The Trust agrees to reimburse the Association for personnel costs incurred on their behalf. During the year ended December 31, 2022, the Association provided $33,298 in professional services. As of December 31, 2022, the Trust owes the Association $26,325 for professional services net of rental income.

Note 6. Trust Termination

Under certain conditions, the Trust may be terminated. Upon termination, the assets then remaining shall be subject to the applicable provisions of the Trust then in effect and shall be used until exhausted to pay benefits to participants in the order of their entitlement.

Note 7. Tax Status

The Trust is not exempt from income tax, with the net investment income (after expenses) subject to tax. The Trust files an annual tax return, U.S. Income Tax Return for Estates and Trusts, for each year ending December 31. The filed tax return is subject to examination by the Internal Revenue Service generally for three years after it is filed.

Additionally, an advisory opinion was sought that the benefits provided did not constitute a plan that was subject to the Employee Retirement Income Security Act of 1974 and its reporting requirements. On February 13, 1995, the U.S. Department of Labor issued an opinion that stated the Health Benefit Plan was not subject to the Employee Retirement Income Security Act of 1974 and the annual filing requirement of preparing Federal Form 5500.