

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

**FINANCIAL REPORT**

**DECEMBER 31, 2020**

**MaherDuessel**

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

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## FINANCIAL STATEMENTS

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## Independent Auditor's Report

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

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, 2020, 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.

### **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 from 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 made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors and Secretary Thall, Pennsylvania Office of the Budget  
the Pennsylvania Division, Horsemen's Benevolent  
& Protective Association Benefit Trust  
Independent Auditor's Report  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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, 2020, 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.

*Maher Duessel*

Harrisburg, Pennsylvania  
December 8, 2021

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

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
December 31, 2020**

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<b>Assets</b>	
Cash and cash equivalents	\$ 173,692
Contributions receivable	24,536
Property and equipment - net of accumulated depreciation	<u>123,552</u>
Total Assets	<u><u>\$ 321,780</u></u>
<b>Liabilities and Net Assets</b>	
Accounts payable	\$ 16,071
Due to affiliate	314,650
Net assets available for benefits	<u>(8,941)</u>
Total Liabilities and Net Assets	<u><u>\$ 321,780</u></u>

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, 2020**

Additions To Net Assets Attributed To:	
Membership contributions	\$ 298,734
Horsemen bookkeeper reverts - net	57,976
Rental income	6,973
Interest income	408
Miscellaneous	2,449
<b>Total additions</b>	<b>366,540</b>
Deductions From Trust Assets Attributed To:	
Payments for:	
Medical benefits	91,679
Dental benefits	112,414
Vision benefits	67,345
Death benefits	4,000
	<b>275,438</b>
Administrative Expenses:	
Professional services	18,237
Utilities and maintenance	9,339
Plan administration	257
Depreciation	4,612
Interest expense	1,826
	<b>34,271</b>
<b>Total deductions</b>	<b>309,709</b>
<b>Changes in net assets</b>	<b>56,831</b>
Net Assets Available for Benefits:	
Beginning	(65,772)
Ending	<b>\$ (8,941)</b>

See Notes to Financial Statements.

**THE PENNSYLVANIA DIVISION,  
HORSEMEN'S BENEVOLENT & PROTECTIVE ASSOCIATION  
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**STATEMENT OF CASH FLOWS  
Year Ended December 31, 2020**

Cash Flows From Operating Activities:	
Changes in net assets	\$ 56,831
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	4,612
Changes in assets and liabilities:	
Decrease in:	
Contributions receivable	17,529
Due from members	354
Decrease in:	
Accounts payable	(1,742)
Due to Affiliate	(5,147)
<b>Net cash provided by operating activities</b>	<u>72,437</u>
<b>Net increase in cash and cash equivalents</b>	72,437
Cash and Cash Equivalents:	
Beginning	<u>101,255</u>
Ending	<u>\$ 173,692</u>

See Notes to Financial Statements.

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**NOTES TO FINANCIAL STATEMENTS**

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**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:

General Benefits: 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.

Contributions: 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 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 2020 was \$298,734. 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 2020 was \$57,976.

**Note 2. Summary of Significant Accounting Policies**

Basis of Accounting: 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



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**NOTES TO FINANCIAL STATEMENTS**

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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 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:

	2020
Building - clinic/laundromat	\$ 159,712
EKG machine	3,433
Security system	4,543
	<hr/>
	167,688
Less: accumulated depreciation	(44,136)
	<hr/>
	\$ 123,552

Depreciation of property and equipment amounted to \$4,612 for 2020.

**Note 5. Related Party Transaction**

In prior years, the Association loaned working capital to the Trust to help pay for medical benefits. No repayment terms have been established at this time. 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. As of December 31, 2020, the Trust owed the Association \$314,650 net of rent. Total interest expense incurred during the year totaled \$1,826.

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**NOTES TO FINANCIAL STATEMENTS**

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**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.

**Note 8. Donated Services**

A number of unpaid volunteer officers and committees have made significant contributions of their time toward developing and achieving the Trust's goals and objectives. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. During the year ended December 31, 2020, there were no donated services recorded.

**Note 9. Risks and Uncertainties**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, and the geographical area in which the Trust operates. The Trust has seen reductions in the membership contributions as a result of the pandemic. The Trust's revenue is directly tied to the operations of its affiliated casinos. Shutdowns impacting either affiliated casinos or their respective horse racing operations would significantly impact the Trust's ability to generate revenue.