

**Meadows Standardbred
Owners Association**

Financial Statements and
Supplementary Information

Years Ended December 31, 2022 and 2021
with Independent Auditor's Reports

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.

MEADOWS STANDARD BRED OWNERS ASSOCIATION

YEARS ENDED DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

**Board of Directors and Secretary Monson,
Pennsylvania Office of the Budget
Meadows Standardbred Owners Association**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Meadows Standardbred Owners Association (Association), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets and cash flows for the years 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 financial position of the Association as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years 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 and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Association 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

Association'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 and *Government 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Association'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 Association'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
November 28, 2023

MEADOWS STANDARD BRED OWNERS ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 299,701	\$ 664,236
Insurance payments receivable	33,578	18,870
Total current assets	333,279	683,106
Fixed assets:		
Equipment	97,869	97,869
Less: accumulated depreciation	(55,875)	(47,569)
Net fixed assets	41,994	50,300
Other assets:		
Restricted cash and cash equivalents	2,396,506	1,813,191
Total Assets	\$ 2,771,779	\$ 2,546,597
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Liabilities and Net Assets		
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Liabilities:		
Current liabilities:		
Accounts payable	\$ 31,106	\$ 26,429
Accrued expenses	18,162	24,127
Accrued insurance payable	126,776	-
Payroll taxes and deductions	2,144	845
Total current liabilities	178,188	51,401
Noncurrent Liabilities:		
Escrow funds:		
Purse	1,451,351	1,157,308
Health and welfare	945,155	655,883
Total noncurrent liabilities	2,396,506	1,813,191
Total Liabilities	2,574,694	1,864,592
Net Assets:		
Without donor restrictions	197,085	682,005
Total Liabilities and Net Assets	\$ 2,771,779	\$ 2,546,597

The accompanying notes are an integral part of these financial statements.

MEADOWS STANDARD BRED OWNERS ASSOCIATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Revenues:		
Pari-mutuel	\$ 9,860,944	\$ 10,055,936
Government grants	176,376	272,034
Membership dues	13,785	60
Interest income	11,143	15,777
Settlements	100,000	-
Miscellaneous income	20,426	36,164
Total revenues	10,182,674	10,379,971
Expenses:		
Program services - Horsemen's expense:		
Purses paid	8,377,914	11,694,969
Grooms health insurance	1,134,648	655,979
Insurance	89,394	118,829
Salaries, payroll taxes, and employee benefits	214,075	242,522
Rent and leased equipment	11,551	11,435
Telephone	-	2,041
Licenses and permits	-	200
Professional fees	175,489	196,903
Membership dues	14,040	11,875
Horsemen's services and events	35,671	37,331
Donations, scholarships, and research	6,012	35,378
Total program services - Horsemen's expense	10,058,794	13,007,462
Support services:		
Salaries, payroll taxes, and employee benefits	35,000	58,459
General office	41,612	25,723
Advertising	248,967	184,681
Meetings and travel	21,009	10,701
Professional fees	253,906	269,644
Depreciation	8,306	8,447
Total support services	608,800	557,655
Total expenses	10,667,594	13,565,117
Change in Net Assets	(484,920)	(3,185,146)
Net Assets Without Donor Restrictions:		
Beginning of year	682,005	3,867,151
End of year	\$ 197,085	\$ 682,005

The accompanying notes are an integral part of these financial statements.

MEADOWS STANDARD BRED OWNERS ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ (484,920)	\$ (3,185,146)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,306	8,447
Effects of changes in operating assets and liabilities:		
Gaming funds received	21,274,186	17,851,187
Interest on restricted funds	22,176	10,802
Prepaid expenses	(14,708)	(16,025)
Purse payments	(19,199,983)	(15,343,622)
Accrued insurance payable	126,776	-
Health and welfare benefits disbursements	(1,513,064)	(1,485,838)
Accounts payable	4,677	17,235
Payroll liabilities	(5,965)	16,388
Accrued expenses	1,299	(2,843)
Net cash provided by (used in) operating activities	218,780	(2,129,415)
Net Increase (Decrease) in Cash and Cash Equivalents	218,780	(2,129,415)
Cash and Cash Equivalents:		
Beginning of year	2,477,427	4,606,842
End of year	\$ 2,696,207	\$ 2,477,427
Consists of:		
Cash and cash equivalents	\$ 299,701	\$ 664,236
Restricted cash and cash equivalents	2,396,506	1,813,191
	\$ 2,696,207	\$ 2,477,427

The accompanying notes are an integral part of these financial statements.

MEADOWS STANDARDBRED OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Summary of Significant Accounting Policies

The Meadows Standardbred Owners Association (Association) is a membership organization which promotes the welfare and development of harness racing in Pennsylvania. The primary sources of revenues are from a harness race track in Meadow Lands, Pennsylvania.

Basis of Accounting

The financial statements of the Association are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned rather than received, and expenses are recognized when incurred rather than when the obligation is paid.

Basis of Net Assets

In accordance with accounting principles generally accepted in the United States of America, the Association is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will meet either the actions of the Association and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned and capital gains, if any, on related investments for general or specific purposes. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Association does not have any net assets with donor restrictions at December 31, 2022 and 2021.

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 certain reported amounts of assets, liabilities, revenues, and

MEADOWS STANDARD BRED OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

expenses, and the disclosure of contingent gains and losses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash and Cash Equivalents

Certain cash and cash equivalents are restricted as to use by the Pennsylvania Horse Development and Gaming Act. These funds are held in separate accounts.

Accounts Receivable

The Association uses the direct write-off method for bad debts, the results of which are not materially different from those under the allowance method. There were no accounts receivable written off for December 31, 2022 and 2021.

Furniture and Equipment

Furniture and equipment is stated at cost. Depreciation is calculated using the straight-line method over the estimated lives of depreciable assets, which range from five to ten years based on management's estimate of the useful lives. Additions, major replacements, and betterments which are individually in excess of \$500, and have a life in excess of one year, are capitalized. Maintenance and repairs are charged to expense as incurred.

Long-Lived Assets

Long-lived assets, such as property and equipment, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be reduced to fair value. No impairment losses have been recorded through December 31, 2022 and 2021.

MEADOWS STANDARD BRED OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Contributions and Grants

The Association reports gifts of cash and other assets as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (such as when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as without donor restrictions.

Marketing Grant

A portion of the Association's revenue is derived from a yearly cost-reimbursable marketing grant from the state of Pennsylvania, which is conditioned upon the incurrence of qualifying marketing expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with grant provisions. The period of the grant coincides with the state fiscal year, July 1st to June 30th, and any amount remaining after June 30th is kept by the state. During the years ended December 31, 2022 and 2021, the Association incurred \$92,376 and \$122,034, respectively, in costs under this grant, all of which were reimbursed by the state and recorded. The Association had \$0 and \$92,376 remaining award balances at December 31, 2022 and 2021, respectively, all of which was still held by the state. These award balances are not recorded in the financial statements and will be recognized as revenue when the expenses are incurred.

Membership Dues

Membership dues, which are nonrefundable, are payable each January and provide membership for the calendar year. They are comprised of an exchange element based on the value of benefits provided. The Association recognizes the membership dues over the membership period.

Settlement Agreement

The Association entered into a settlement agreement with The Meadows on January 18, 2022 for the closure of the Harmar Off-Track Wagering facility. As part of the settlement, The Meadows paid \$100,000 to the Association, which has been recognized on the statement of financial position for the year ended December 31, 2022.

MEADOWS STANDARD BRED OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Income Taxes

The Association is a non-profit organization which is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. Financial Accounting Standards Board (FASB) ASC 740-10, *Accounting for Uncertainty in Income Taxes*, requires an assessment of the Association's exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously filed tax returns. Examples of tax positions taken at the entity level include the continuing validity of its 501(c)(6) status, potential unrelated business activities, and other tax positions that could result in income taxes to the Association upon examinations by taxing authorities. The Association's management is not aware of any activities that would jeopardize its tax-exempt status or would be subject to unrelated business or excise tax.

The Association files Form 990 - Return of Organization Exempt from Income Tax, on an annual basis.

Expense Allocation

Expenses directly related to a specific program are charged to that program. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses related to more than one program or supporting service are allocated on the basis of actual or estimated employee time.

Adopted Accounting Standard

The provisions of this Standards Update have been adopted and incorporated into these financial statements:

ASU 2016-02, "*Leases (Topic 842)*," These amendments and related amendments require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures are required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The implementation of this standard had no material impact to the financial statements.

MEADOWS STANDARD BRED OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. Restricted Funds

Pennsylvania law requires certain portions of revenue from slot machines at Pennsylvania racetracks to be used for horse racing purses and pension and health benefits for horse men and women. The Association acts as fiduciary in the collection and disbursement of these funds, which are required to be maintained in separate accounts. These funds are also recorded as escrows on the statements of financial position.

MEADOWS STANDARD BRED OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

The detail of transactions in these accounts for 2022 and 2021 is as follows:

	Purses	Benefits
Restricted Cash Balances, January 1, 2021	\$ 100,206	\$ 680,456
Gaming funds - WTA	16,393,144	1,458,043
Interest income	7,580	3,222
	16,400,724	1,461,265
Purse payments - WTA	(15,343,622)	-
Health and welfare benefits	-	(1,485,838)
	(15,343,622)	(1,485,838)
Restricted Cash Balances, December 31, 2021	1,157,308	655,883
Gaming funds - WTA	19,477,716	1,796,470
Interest income	16,310	5,866
	19,494,026	1,802,336
Purse payments - WTA	(19,199,983)	-
Health and welfare benefits	-	(1,513,064)
	(19,199,983)	(1,513,064)
Restricted Cash Balances, December 31, 2022	\$ 1,451,351	\$ 945,155

3. Concentration of Credit Risk

The Association maintains several bank accounts consisting of checking accounts and a money market account that are spread across several financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. As of December 31, 2022 and 2021, cash on deposit in excess of insured amounts was \$0.

4. Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise cash and

MEADOWS STANDARD BRED OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

cash equivalents and insurance payments receivable of \$333,279 and \$683,106 for the years ended December 31, 2022 and 2021, respectively.

As part of the Association's liquidity management plan, it invests cash in excess of daily requirements in short-term investments, CDs, and money market funds. The Association also attempts to match purse payouts to the pari-mutuel revenues to ensure enough cash is on hand to pay out those purses.

5. Washington Trotting Association, Inc. (WTA) and Mountain Laurel Racing, Inc. (MLR) Agreement

Effective January 1, 2018 through December 31, 2028, an agreement was signed between the Association and WTA and MLR. The agreement specifies a mutually agreeable purse structure and set of related economic arrangements. The Association shall receive on a weekly basis all pari-mutuel receipts, net of Association contributions subject to providing WTA/MLR with a continuing cash balance of \$100,000. These pari-mutuel receipts are derived from wagering concentrated in Southwestern Pennsylvania. Any significant economic change to this region could have a significant impact on these pari-mutuel receipts. From these receipts, the Association is responsible for payment of its own administrative costs as well as the following disbursements: Christian Harness Horsemen's Association dues; fire/disaster insurance premiums; and sulky accident-related payments. In addition, WTA and MLR are obligated to make office space available to the Association without charge, and to provide certain administrative services. The estimated value of the office space is \$7,200 per year. The receipts are recognized as revenue when received by the Association and administers the funds.

6. Simplified Employee Pension (SEP) Plan (Plan)

The Association established a deferred salary arrangement under I.R.C. Section 408(k). The Plan covers substantially all its eligible employees. The Association's matching contribution is discretionary and is equal to a uniform percentage as determined by the employer of each participant's elective deferral. The Association's contribution for 2022 and 2021 totaled \$41,657 and \$44,784, respectively.

MEADOWS STANDARD BRED OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

7. Lease

The Association leases copier equipment under a noncancelable financing lease with a maturity date of September 1, 2023. Minimum monthly payments total \$273 per month. The Association also leased a portable office under a month-to-month operating lease until it was donated into the Association in May 2018. Total rental payments for 2022 and 2021 were \$4,163 and \$3,968, respectively.

Minimum lease payments required under the copier lease are:

2023	\$	<u>2,184</u>
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8. Self-Insurance Medical Plan

During 2022, the Association became self-insured for medical and prescription claims. The Association has a self-insured medical plan for the benefit of its trainers and groomers. The health insurance risks are mitigated by aggregate and individual stop-loss insurance policies purchased by the Association. The policies limit the Association's loss to \$50,000 per individual beneficiary. The health insurance claims are administered by an unrelated third-party administrator. The Association's expense under the self-insured medical plan was approximately \$1,134,000 for the year ended December 31, 2022. The Association has estimated the liability for health insurance claims that have been incurred (including both claims reported, as well as those that have been incurred but not yet been reported) was \$126,776.

SUPPLEMENTARY INFORMATION

MEADOWS STANDARD BRED OWNERS ASSOCIATION

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS AND CHANGES IN RESTRICTED CASH BALANCES

YEAR ENDED DECEMBER 31, 2022

	Purses	Benefits	Total
Cash Receipts:			
Gaming funds - WTA	\$ 19,477,716	\$ 1,796,470	\$ 21,274,186
Interest earned	16,310	5,866	22,176
Total cash receipts	19,494,026	1,802,336	21,296,362
Cash Disbursements:			
Purse payments - WTA	19,199,983	-	19,199,983
Health and welfare benefit payments	-	1,513,064	1,513,064
Total cash disbursements	19,199,983	1,513,064	20,713,047
Changes in Restricted Cash Balances	294,043	289,272	583,315
Restricted Cash Balance at January 1, 2022	1,157,308	655,883	1,813,191
Restricted Cash Balance at December 31, 2022	\$ 1,451,351	\$ 945,155	\$ 2,396,506
Reconciliation to audited financial statements:			
Gaming funds, as reported above	\$ 19,477,716	\$ 1,796,470	\$ 21,274,186
Gaming funds, as reported in Note 2 to the audited financial statements	\$ 19,477,716	\$ 1,796,470	\$ 21,274,186
Purse and benefit payments, as reported above	\$ 19,199,983	\$ 1,513,064	\$ 20,713,047
Purse and benefit payments, as reported in Note 2 to the audited financial statements	\$ 19,199,983	\$ 1,513,064	\$ 20,713,047

See accompanying notes to the statement of cash receipts and cash disbursements and changes in restricted cash balances.

MEADOWS STANDARDBRED OWNERS ASSOCIATION

NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS AND CHANGES IN RESTRICTED CASH BALANCES

YEAR ENDED DECEMBER 31, 2022

1. Basis of Presentation

The accompanying statement of cash receipts and cash disbursements and changes in restricted cash balances includes the Pennsylvania Race Horse Development Fund activity of the Meadows Standardbred Owners Association (Association) and is presented on the cash basis of accounting. The information in this statement is presented in accordance with Chapter 436a of the Pennsylvania Horse Development and Gaming Act, and fiscal code (72 P.S. § 1701-0). Therefore, some amounts presented in this statement may differ from amounts presented in, or used in, the preparation of the basic financial statements.

2. Flow of the Pennsylvania Horse Funds

The Pennsylvania Department of Revenue transfers Pennsylvania Racehorse Development Funds to the casinos on a weekly basis, designating amounts for purses and health and retirement benefits. The casinos then transfer these funds to the Association to separate accounts established by the Association, by purpose.

Management of the Association determines the portion of the Pennsylvania Race Horse Development Funds to transfer to the casinos for purse purposes, based on an estimate provided by the casinos. The frequency of purse payments to the casinos is dependent upon the established racing schedules. The Association maintains schedules detailing all purse fund payments. The purse payments are reconciled to the actual purses paid by the casinos. Health and pension disbursements are made directly to the carriers based on invoiced amounts. There were \$0 in administrative expenses charged to those funds in 2022 and 2021.

**Meadows Standardbred
Owners Association**

Independent Auditor's Report in
Accordance with
Government Auditing Standards

Year Ended December 31, 2022

**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**Board of Directors and Secretary Monson,
Pennsylvania Office of the Budget
Meadows Standardbred Owners Association**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Meadows Standardbred Owners Association (Association), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a

Board of Directors and Secretary Monson,
Pennsylvania Office of the Budget
Meadows Standardbred Owners Association
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements, including Chapter 436a of the Pennsylvania Race Horse Development and Gaming Act and Fiscal Code (72 P.S. § 1701-0). However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Association's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
November 28, 2023

MEADOWS STANDARD BRED OWNERS ASSOCIATION

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2022

Material Weakness

Finding 2022-001: Financial Statement Adjustments

Condition: The Association did not have sufficient controls in place to ensure that the financial statements could be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Health insurance claims incurred but not yet received (IBNR) were not recorded resulting in an understatement of liabilities of \$126,776 and understatement of expenses by \$126,776.

Criteria: All transactions must be recorded in accordance with generally accepted accounting principles (GAAP). Reliance on auditors to ensure financial reporting is complete and accurate is an internal control deficiency.

Cause: The year ended December 21, 2022 was the first year the Association was self-insured for health insurance. Association personnel were not aware of the need to record a liability for outstanding claims and did not initially have available the necessary information on file to calculate the liability.

Effect: Adjustments were made by auditors to correct the financial statements in order for the financial statements to be prepared in accordance with GAAP.

Recommendation: We recommend that the Association implements procedures to ensure that health insurance related transactions are recorded in accordance with GAAP.

Views of Responsible Officials: The Association will obtain the appropriate reports from its insurance carrier in order to accurately record the health insurance claims outstanding at year end.