

**Pennsylvania Thoroughbred  
Horsemen's Association, Inc.**

Combined Financial Statements and  
Supplementary Information

Year Ended December 31, 2022  
with Independent Auditor's Report

**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.

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

YEAR ENDED DECEMBER 31, 2022

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# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

YEAR ENDED DECEMBER 31, 2022

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## Independent Auditor's Report

**Board of Directors and Secretary Monson, Pennsylvania Office of the Budget  
Pennsylvania Thoroughbred Horsemen's Association, Inc.**

### Report on the Audit of the Combined Financial Statements

#### Opinion

We have audited the accompanying combined financial statements of the Pennsylvania Thoroughbred Horsemen's Association, Inc. (Association) (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2022, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, based on our audit and the report of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit Turning for Home, Inc. (TFH) which statements reflect total assets, liabilities, net assets, revenue, and expenses of \$70,065, \$17,549, \$52,516, \$607,109, and \$613,681, respectively, as of December 31, 2022. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for TFH, is based solely on the report of the other auditors.

#### 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 Combined 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 Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 were available to be issued.

### **Auditor's Responsibility for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined 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, including omissions, 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 combined 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 combined 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 combined 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 combined 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.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 27, 2024 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 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.

*Maier Duessel*

Harrisburg, Pennsylvania  
November 27, 2024

**PENNSYLVANIA THOROUGHBRED  
HORSEMEN'S ASSOCIATION, INC.**  
COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 568,178
Accounts receivable, net	297,714
Other receivables	54,089
Due from Philadelphia Park	34,215
Inventory	212,283
Prepaid expenses	10,701
Total current assets	1,177,180
Investments	410,489
Restricted Pennsylvania Racehorse Development Trust Fund Assets:	
Restricted cash	4,635,055
Restricted investments	1,114,802
Total restricted Pennsylvania Racehorse Development Trust Fund assets	5,749,857
Equipment and Furnishings:	
Cemetery lots	2,410
Vehicles	73,154
Storage trailers and related equipment	71,659
Office equipment and furniture	127,425
Less: accumulated depreciation	(249,839)
Net equipment and furnishings	24,809
<b>Total Assets</b>	<b>\$ 7,362,335</b>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 210,756
Customer deposits	13,626
Accrued payroll	16,401
Other accrued expenses	37,715
Line of credit	84,072
Total current liabilities	362,570
Pennsylvania Race Horse Development Trust Fund Liabilities:	
PRDF liabilities	5,749,857
Total liabilities	6,112,427
Net Assets:	
Without donor restrictions	1,052,287
With donor restrictions	197,621
Total net assets	1,249,908
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,362,335</b>

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



# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Support:</b>			
Shares of wagering - per Live Racing Agreement	\$ 1,522,408	\$ -	\$ 1,522,408
Grants	-	289,808	289,808
Contributions	706,357	-	706,357
Fundraising, net of direct expenses of \$3,446	35,868	-	35,868
Sale of merchandise	4,001,555	-	4,001,555
Interest on Horsemen's funds - Philadelphia Park	96,376	-	96,376
Broadcasting income	950	-	950
Miscellaneous income	59	-	59
Investment return, net	9,481	-	9,481
Unrealized gain (loss) on investments	(113,965)	-	(113,965)
Loss on disposal	(8,438)	-	(8,438)
Net assets released from restriction	310,527	(310,527)	-
Total revenues and support	6,561,178	(20,719)	6,540,459
<b>Expenses:</b>			
Program services:			
Horsemen's Advocacy Program	2,024,784	-	2,024,784
Horse Supplies Program	3,965,099	-	3,965,099
Backstretch Social Programs	10,210	-	10,210
Thoroughbred Horse Retirement Program	590,343	-	590,343
Total program services	6,590,436	-	6,590,436
Management and general	148,240	-	148,240
Fundraising	7,826	-	7,826
Total expenses	6,746,502	-	6,746,502
<b>Change in Net Assets</b>	(185,324)	(20,719)	(206,043)
<b>Net Assets:</b>			
Beginning of year	1,237,611	218,340	1,455,951
End of year	\$ 1,052,287	\$ 197,621	\$ 1,249,908

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

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Horsemen's Advocacy Program	Horse Supplies Program	Backstretch Social Programs	Thoroughbred Horse Retirement Program	Total Program	Management and General	Fundraising	Total Expenses
Salaries and employee benefits	\$ 416,285	\$ 272,317	\$ -	\$ 62,132	\$ 750,734	\$ 3,655	\$ 7,309	\$ 761,698
Payroll taxes	36,900	25,187	-	4,392	66,479	258	517	67,254
Professional fees	628,807	-	-	8,110	636,917	58,687	-	695,604
Information technology support	35,261	7,068	-	-	42,329	-	-	42,329
Television and advertising	14,773	-	-	12,665	27,438	-	-	27,438
Public relations	61,569	-	-	-	61,569	-	-	61,569
Newsletter	1,131	-	-	-	1,131	-	-	1,131
Office expenses	25,284	10,783	-	-	36,067	1,318	-	37,385
Telephone	14,257	-	-	-	14,257	-	-	14,257
Travel and meetings	79,193	-	-	-	79,193	1,021	-	80,214
Depreciation	25,876	1,683	-	-	27,559	-	-	27,559
Insurance	53,021	-	-	-	53,021	11,744	-	64,765
Cost of goods sold	-	3,284,331	-	-	3,284,331	-	-	3,284,331
Donations	139,200	-	-	-	139,200	-	-	139,200
Dues and subscriptions	1,287	-	-	-	1,287	61,478	-	62,765
Handicapper	20,000	-	-	-	20,000	-	-	20,000
Horse care expenses	-	-	-	503,044	503,044	-	-	503,044
Flowers, gifts, and awards	13,656	2,595	-	-	16,251	-	-	16,251
Parties, picnics, and dinners	-	-	10,210	-	10,210	-	-	10,210
Race event days	412,627	-	-	-	412,627	-	-	412,627
Repairs and maintenance	-	1,343	-	-	1,343	-	-	1,343
Shavings removal	-	310,900	-	-	310,900	-	-	310,900
Vehicle	16,829	-	-	-	16,829	-	-	16,829
Miscellaneous	28,828	48,892	-	-	77,720	10,079	-	87,799
<b>Total expenses</b>	<b>\$ 2,024,784</b>	<b>\$ 3,965,099</b>	<b>\$ 10,210</b>	<b>\$ 590,343</b>	<b>\$ 6,590,436</b>	<b>\$ 148,240</b>	<b>\$ 7,826</b>	<b>\$ 6,746,502</b>

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

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

<b>Cash Flows From Operating Activities:</b>	
Change in net assets	\$ (206,043)
Adjustments to reconcile change in assets to net cash provided by (used in) operating activities:	
Depreciation	27,559
Unrealized loss on investments	113,965
Loss on disposal	8,438
Effects of changes in operating assets and liabilities:	
Accounts receivable	(268,790)
Other receivables	19,331
Inventory	(27,061)
Prepaid expenses	21,755
Restricted investments	236,484
Accounts payable	47,281
Customer deposits	3,551
Due to Philadelphia Park	(19,550)
Accrued payroll	(4,477)
Other accrued expenses	31,215
PRDF liabilities	(1,143,542)
Net cash provided by (used in) operating activities	(1,159,884)
<b>Cash Flows From Investing Activities:</b>	
Purchase of investments	(9,482)
Purchase of equipment and furnishings	(11,107)
Net cash provided by (used in) investing activities	(20,589)
<b>Cash Flows From Financing Activities:</b>	
Principal payments on loans payable and lines of credit	(147,330)
Net cash provided by (used in) financing activities	(147,330)
<b>Net Decrease in Cash, Cash Equivalents and Restricted Cash</b>	(1,327,803)
<b>Cash, Cash Equivalents, and Restricted Cash:</b>	
Beginning of year	6,531,036
End of year	\$ 5,203,233
<b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash:</b>	
Cash and cash equivalents	568,178
Restricted cash	4,635,055
Total cash, cash equivalents, and restricted cash	\$ 5,203,233
<b>Supplemental Cash Flow Disclosures:</b>	
Cash paid for interest	\$ 14,263

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

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### 1. Summary of Significant Accounting Policies

#### Organization

The combined financial statements include the following entities: Pennsylvania Thoroughbred Horsemen's Association, Inc. (PTHA), Horsemen's Purchasing Association, Inc. (HPA), Turning for Home, Inc. (TFH), the Pennsylvania Thoroughbred Horsemen's Political Action Committee (PAC), and PTHA Charities (PTHA-C). For the purposes of these combined financial statements, the reporting entities of PTHA, HPA, TFH, PRDF, PAC, and PTHA-C will be referred to as the Association.

PTHA represents the common business interests of horse owners, their employees, and independent contractors (collectively referred to as Members) with management of Bensalem Racing Association, the owner of Parx Racing, and Keystone Turf Clubs, Inc. PTHA works to protect and provide for Parx Racing horsemen through the guarantee of live racing, increased purses, and healthcare for its families. It also promotes thoroughbred racing and improvements in the thoroughbred racing industry in the Commonwealth of Pennsylvania. PTHA, located in Bucks County, provides administrative and management services, strategic and financial planning, asset management, and budgeting services to the related entities – HPA and TFH. Each of the entities is related to PTHA as a result of their common management and common Board of Directors. The PAC shares common control and economic interest with PTHA.

The PRDF Division of the PTHA was formed in December 2006 pursuant to Sections 1405 and 1406 of the Pennsylvania Consolidated Statutes Title 4 Amusements (Statute). Section 1405 of the Statute provides for the establishment of a Pennsylvania Race Horse Development Trust Fund within the State Treasury and requires that each active and operating licensed gaming entity shall pay a daily assessment to the Pennsylvania Race Horse Development Trust Fund. In accordance with Section 1406 of the Statute, the State Treasury shall make distributions from the Pennsylvania Race Horse Development Trust Fund to each active and operating Category 1 licensee conducting live racing in the matter outlined in Section 1406 of the Statute. It is the responsibility of the PTHA-PRDF Division to distribute the funds received from Philadelphia Park Racetrack's Horsemen's Association in accordance with the Statute. The PRDF Division serves as the custodian of funds to be used by the beneficiary of the funds received under Sections 1405 and 1406 of the Statute.

HPA sells horse related goods and supplies to the members of PTHA.

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# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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TFH is a retirement program for the thoroughbred horses that can no longer race due to injury or lack of ability. TFH provides humane and dignified retirement for horses stabled at Parx Racetrack.

Individual members to contribute to the PAC. The PAC is an organization whose primary purpose is to make contributions to candidates and political committees who have demonstrated their interest in thoroughbred horse racing industry.

The PTHA-C was created to provide financial assistance in the form of grants to stable employees of owners and trainers at any thoroughbred racetrack in eastern Pennsylvania who are in need of aid due to emergency hardship such as serious illness, accidental injury, death, violent crime, loss of home, natural disaster, etc., and to provide for scholarships for higher education and vocational training for such persons.

### Combination Policy

The combined financial statements include the accounts of PTHA, HPA, TFH, PRDF, and PAC. Intercompany transactions and balances have been eliminated in combination.

### Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

### Use of Estimates

The preparation of combined 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 and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences may be material.

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### Combined Financial Statement Presentation

The Association reports information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* – Net assets without donor restrictions are the net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board or otherwise limited by contractual arrangements with outside parties.

*Net assets with donor restrictions* – Net assets with donor restrictions result from contributions whose use is limited by donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by either the passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations. Other donor restrictions are perpetual in nature; those restrictions neither expire by the passage of time nor can be fulfilled or otherwise removed by the Board's actions. The Association's net assets with donor restrictions consist of revenue received under the marketing grant from the state of Pennsylvania.

### Cash and Cash Equivalents

For purposes of the combined statement of cash flows, the Association considers all highly-liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

The Association maintains cash accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. The Association participates in an Insured Cash Sweep (ICS) program, which allows a custodian of the Association to deposit cash at multiple receiving banks in a manner designed to remain within the FDIC insurance limits for each receiving bank.

Restricted cash represents statutory funds held under the Pennsylvania Race Horse Development Trust Fund and are restricted by statute as to their use. The restricted cash accounts are included in cash balances for the purpose of the statement of cash flows.

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### Accounts Receivable and Reserve for Uncollectible Receivables

Accounts receivable is stated at the amount management expects to collect from outstanding balances. The Association uses the allowance method for potential uncollectible amounts. The amount written off by PTHA in 2022 as bad debt expense totaled \$0. A reserve was established totaling \$5,179 for potential uncollectible amounts for the sale of horse supplies and equipment. The amount written off by HPA in 2022 as bad debt expense totaled \$0.

Accounts receivable consist of the following:

	<u>PTHA</u>	<u>HPA</u>
Accounts receivable, December 31, 2021	\$ 17,008	\$ 11,916
Cash received that was included in accounts receivable at the beginning of the year	(17,008)	(11,916)
Increase in accounts receivable	<u>292,678</u>	<u>8,948</u>
Accounts receivable, December 31, 2022	<u>\$ 292,678</u>	<u>\$ 8,948</u>

### Investments

#### ***Fair Value Measurements***

The Association records its investments based on fair value. The use of observable inputs are maximized and the use of unobservable inputs are minimized by using observable inputs when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available, but traded less frequently, and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 — Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Association. The Association considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

### ***Valuation of Investments***

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include money market funds, exchange-traded funds, and mutual funds.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include alternative investments. When observable prices are not available for Level 3 securities, the Association uses one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use



# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

Investments in marketable securities with readily determinable fair values are recorded at the fair values in the combined statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying combined statement of activities and changes in net assets for investments held by PTHA. Realized and unrealized gains and losses for PRDF are included in the statement of cash receipts and cash disbursements and changes in cash balances.

*Mutual Funds and Exchange Traded Funds:* Fair value of mutual funds and exchange traded funds is based on quoted market prices for identical securities. These investments are classified within Level 1 of the valuation hierarchy.

*Money Market Mutual Funds:* Money market mutual funds are valued at a stable \$1.00 net assets value, which is the value at which the fund is traded and approximates fair value based on the fair value of the underlying investment. Such securities are classified within Level 1 of the valuation hierarchy.

*Alternative Investment:* Valued at net asset value (NAV) of units held. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

### Inventory

Horse supplies are valued at the lower of cost or net realizable value. Cost is computed using the average cost method. Inventory is valued at \$212,283 for the year ended December 31, 2022.

### Equipment and Furnishings

Equipment and furnishings are stated at cost if purchased and at estimated fair value at date of donation, if donated. Depreciation is calculated using the straight-line and declining balance methods over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged against operations as incurred; expenditures for

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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renewals and betterments are capitalized in accordance with the Association's capitalization policies. A summary of the estimated useful lives is as follows:

Vehicles	5 to 7 years
Storage trailers and related equipment	7 years
Office equipment and furniture	3 to 10 years

### Revenue Recognition

*Shares of Wagering:* Under the terms of the Live Racing Agreement as further described in Note 7, the Association is considered to be the exclusive representative of all horsemen who own, train, and/or racehorses at Parx Racetrack. As such, the Association is entitled to receive 3% of purse monies to operate. This fee is earned monthly as services are provided.

*Grants:* A portion of the Association's revenue is derived from a yearly unconditional cost-reimbursable marketing grant from the state of Pennsylvania. This grant is considered an unconditional contribution and is recognized when received. During the year ended December 31, 2022, the Association received funding in the amount of \$289,808 which was recognized as revenue. Allowable expenses incurred totaled \$310,527. Unspent funds are shown as donor restricted net assets.

*Contributions:* Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

*Sales of Merchandise:* Revenue is recognized when ownership and the risk of loss transfers to the customer. The majority of sales are conducted on-site at Association established locations.

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### Contributed Services and Facilities

A number of unpaid volunteers, which include the Directors of the Association, have made significant contributions of their time toward developing and achieving the Association'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, 2022, there were no donated services that met the reporting requirements.

Under terms of the Racing Agreement, the entities making up the combined group are permitted to use office space and the tack shop office located in the administrative building of Parx Racing. This includes the use of all common utilities.

### Functional Expense Allocation Method

Functional expenses are allocated based on: (1) actual direct time spent and cost incurred by program and supporting service; (2) direct costs associated with each program or supporting service; and (3) division of common area costs among program and supporting services according to utilization of a common distribution base.

### Income Taxes

PTHA, HPA, PTHA-C and TFH were organized under the Pennsylvania Nonprofit Corporation Law of 1972 and, as such, are exempt from state income taxes. PTHA and TFH have been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(6). TFH and PTHA-C have been granted tax exempt status under and Section 501(c)(3). HPA is subject to income tax for federal purposes only. PAC is exempt from federal income taxes under Section 527 of the U.S. Internal Revenue Service Code. However, income from investments is subject to taxation. All tax forms are filed on an annual basis.

In accordance with accounting principles generally accepted in the United States of America, the Association accounts for uncertain tax positions, if any, as required. Using that guidance, management has determined that there are no uncertain tax positions that qualify for either recognition or disclosure in the combined financial statements.

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### Pending Standards Update

The Financial Accounting Standard Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2016-13, "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*," is effective, as delayed, for the financial statements for the year beginning after December 15, 2022. These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

### Subsequent Events

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

## **2. Program Services**

Services are provided through the following programs:

Horsemen's Advocacy Program – represents the common business interests between horsemen (horse owners, trainers, their employees, and independent contractors) who race at Parx Racing and management of Parx Racing (Bensalem Racing Association, Inc. and Keystone Turk Club, Inc.). The program also promotes thoroughbred racing and improvements in the thoroughbred racing industry in the Commonwealth of Pennsylvania.

Horse Supplies Program – purchases and sells feed, bedding, and other equine related commodities and services to members of PTHA.

Backstretch Social Program – provides social programs for members and the employees of PTHA.

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# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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Thoroughbred Horse Retirement Program – provides care for thoroughbred horses that can no longer race, due to injury or lack of ability. The program provides a humane and dignified retirement for thoroughbred horses through rehabilitation, including veterinary care and surgery, and adoption to approved homes.

### **3. Restricted Pennsylvania Race Horse Development Trust Fund Activity**

The PRDF Division of the PTHA distributes the funds received by Parx Racetrack's Horsemen's Association in accordance with Sections 1405 and 1406 of the Pennsylvania Consolidated Statutes Title 4 Amusements (Statute) and the PA Fiscal Code, an act of 1929, as amended. As a result these funds are only included in the Statement of Financial Position and not recorded as revenue or expense.

The funds received are required to be disbursed for purses, an Act 71 mandated annual contribution to the jockey association at Parx Racing, and pension and health benefits for the members. An allowance for reasonable administrative expenses is permitted.

PRDF's only funding source, except for interest and investment income earned, is the daily assessment each active and operating gaming entity pays into the Pennsylvania Race Horse Development Trust Fund, subject to the daily assessment rate cap. The daily assessment rate for the year ended December 31, 2022 was 12% of operating licensed gaming entity's daily gross terminal revenue. The daily assessment is to be distributed to each of the active and operating Category I licensees conducting live racing pursuant to Section 1406 of the Statute.

Effective January 1, 2010, Section 1406 of the Statute revised the formula for distributions from the Pennsylvania Race Horse Development Trust Fund as follows:

For the Pennsylvania Race Horse Development Trust Fund's fiscal year 2021 – 2022 through 2022 – 2023, 17% of the money in the Pennsylvania Race Horse Development Trust Fund shall be transferred to the general fund of the Commonwealth of Pennsylvania. The remaining 83% will be allocated as follows:

- The greater of 4% or \$220,000 shall be distributed weekly to fund health and pension benefits for the members of the horsemen's organizations representing the owners and trainers at the racetrack at which the licensed racing entity operates for

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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the benefit of the organization's members, their families, employees, and others in accordance with the rules and eligibility requirements of the organization, as approved by the State Horse Racing Commission. Of this amount, \$250,000 shall be paid annually to the thoroughbred jockeys' organization at the racetrack at which the licensed racing entity operates. The total distributions to health and pension funds shall not exceed \$11,400,000 for the fiscal year.

- The remaining amount will be allocated as follows:
  - 83 1/3% shall be deposited weekly into a separate, interest-bearing purse account to be established by and for the benefit of the horsemen.
  - 16 2/3% shall be deposited weekly into the Pennsylvania Breeding Fund (not affiliated with the PTHA or PRDF Division).

The Association receives and is responsible to distribute funds relating to the health and pension allocation and the purse percentage allocation. The Pennsylvania Horse Breeders Association is responsible for the Pennsylvania Breeding Fund percentage allocation.

For fiscal year July 1, 2021 – June 30, 2022, the Governor's budget assessed \$19,659,000 to be removed from the Pennsylvania Race Horse Development Trust Fund to support agricultural related programs. This assessment was collected through an allocation of approximately \$894,000 a week for twenty-one weeks and \$885,000 in the twenty-second week. This money was collected during the period of July 7, 2021 through December 1, 2021. In addition, on July 7, 2021, a transfer in the amount of \$1,840,028 was required from the Pennsylvania Race Horse Development Trust Fund to the State Racing Fund for the promotion of horse racing. Lastly, the Governor's budget assessed \$10,066,000 to be removed from the Pennsylvania Race Horse Development Trust Fund for costs associated with the collection and research of the testing of medication. This assessment is to be collected through an allocation of approximately \$195,000 a week for fifty-one weeks and \$121,000 in the fifty-second week. This money was collected during the period of July 7, 2021 through June 30, 2022.

For fiscal year July 1, 2022 – June 30, 2023, the Governor's budget assessed \$14,659,000 to be removed from the Pennsylvania Race Horse Development Trust Fund to support agricultural related programs. This assessment was collected through an allocation of approximately \$666,500 a week for twenty-one weeks and \$662,500 in the twenty-second week. This money was collected during the period of July 13, 2022 through December 7,

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# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

2022. In addition, on July 13, 2022, a transfer in the amount of \$2,080,444 was required from the Pennsylvania Race Horse Development Trust Fund to the State Racing Fund for the promotion of horse racing. Lastly, the Governor's budget assessed \$10,066,000 to be removed from the Pennsylvania Race Horse Development Trust Fund for costs associated with the collection and research of the testing of medication. This assessment is to be collected through an allocation of approximately \$390,000 for one week, \$195,000 a week for forty-nine weeks, and \$121,000 in the fifty-first week. This money was collected during the period of July 13, 2022 through June 30, 2023.

### 4. Investments and Fair Value Measurements

#### Fair Value of Financial Instruments

The following tables summarize the valuation of the Association's assets subject to measurements at fair value as of December 31, 2022:

	Level	Fair Value	Cost
Money market funds	1	\$ 12,465	\$ 12,465
Mutual funds:			
U.S. equity	1	292,988	238,611
International equity	1	96,503	102,168
Fixed income	1	52,641	59,419
Other	1	106,951	99,686
Exchange-traded funds:			
U.S. equity	1	419,985	255,205
International equity	1	266,375	258,617
Alternative Investments	3	277,383	261,478
Total investments		1,525,291	\$ 1,287,649
Restricted PRDF investments		(1,114,802)	
Total investments without donor restrictions		\$ 410,489	

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Investment income activity is as follows at December 31, 2022:

	PRDF	Without Donor Restrictions	Total Investments
Interest and dividend income	\$ 24,142	\$ 6,142	\$ 30,284
Investment fees	(10,957)	(4,441)	(15,398)
Realized gain (loss)	873	7,780	8,653
Unrealized gain (loss)	(250,542)	(113,965)	(364,507)
Total investment gain (loss)	<u>\$ (236,484)</u>	<u>\$ (104,484)</u>	<u>\$ (340,968)</u>

The following tables sets forth a summary of changes in the fair value of the Association's Level 3 assets for the year ended December 31, 2022:

Balance, beginning of year	\$ 182,716
Addition	102,500
Investment loss	<u>(7,833)</u>
Balance, end of year	<u>\$ 277,383</u>

There were no transfers into or out of Level 3 investments for the year ended December 31, 2022.

### 5. Loans Payable

#### Vehicle Loans Payable

During the year ended December 31, 2019, the Association obtained a vehicle loan for a 2019 GMC Acadia from JP Morgan Chase Bank in the amount of \$29,990. Interest is fixed at 5.99%. This loan was repaid in full during the year ended December 31, 2022.

During the year ended December 31, 2019, the Association obtained a vehicle loan for a 2019 Buick Enclave from JP Morgan Chase Bank in the amount of \$39,256. Interest is fixed at 5.94%. This loan was repaid in full during the year ended December 31, 2022.



# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### Lines of Credit

PTHA has a revolving line of credit with The Bryn Mawr Trust Company up to a maximum of \$162,500 secured by securities or investment property of PTHA. Interest was payable monthly and is 1.25 percentage points over the Lender's Prime Rate. There was a \$0 balance on this line of credit at December 31, 2022.

HPA has a revolving line of credit with The Bryn Mawr Trust Company up to a maximum of \$92,500 secured by inventory, chattel paper, accounts, equipment and general intangibles of HPA. Interest is payable monthly and is 1.25 percentage points over the Lender's Prime Rate. The effective interest rate as of December 31, 2022 was 5.75%. The outstanding balance on the line of credit at December 31, 2022 was \$84,072. Interest paid on the line of credit was \$4,591 for the year ended December 31, 2022.

## **6. Net Assets**

PTHA has donor restricted net assets for marketing purposes totaling \$197,621 for the year ended December 31, 2022.

## **7. Live Racing Agreement**

PTHA entered into a live racing agreement with Keystone Turf Club, Inc. and Bensalem Racing Association, Inc. d/b/a PARX RACING effective September 4, 2004. The agreement was set to expire on July 31, 2021. As outlined in the agreement, purse monies received shall be allocated as follows:

- Eighty-seven percent (87%) of purses shall be allocated to overnights.
- Nine percent (9%) of purses shall be applied to stake races.
- Three percent (3%) of purses shall be paid to PTHA to support member activity.
- One percent (1%) of purses shall be allocated to associations to subsidize workmen's compensation insurance for the trainers who meet certain conditions outlined in the agreement.

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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On July 26, 2021, the Live Racing Agreement was amended, and purse monies received after July 26, 2021 and forward will be allocated as follows:

- Eighty-nine percent (89%) of purses shall be allocated to overnights.
- Seven percent (7%) of purses shall be applied to stake races.
- Three percent (3%) of purses shall be paid to PTHA.
- One percent (1%) of purses shall be allocated to associations to subsidize workmen's compensation insurance for the trainers who meet certain conditions outlined in the agreement.

Every contract year, beginning January 1, 2022, the amount allocated to stakes races shall be reviewed and may be increased up to a maximum of 9% for that contract year, solely at the discretion of PTHA-PRDF. To the extent that such amount is increased above the 7%, the percentage allocated to overnight purses will decrease. The agreement expired on June 30, 2022.

On June 30, 2022, the Live Racing Agreement was again amended. Effective January 1, 2022 the 1% described above is no longer an allocation. All monies collected prior to January 1, 2022, net of workers' compensation subsidies paid for calendar year 2021, will be used to promote racing at Parx Racing in consultation with PTHA. Any funds collected on or after January 1, 2022, will be transferred to PTHA's overnight purse account. Additionally, PTHA's portion of the Horseracing Integrity and Safety Act "safety assessment" for the calendar year 2022 will be paid from PTHA's Overnight Pari-Mutual balance. The agreement was amended to expire December 31, 2026. All other terms and conditions remain the same.

### **8. Related Party Transactions**

The President of the Association is a partner in a law firm representing PTHA; however, this individual has no voting rights and abstains from all discussions regarding legal fees paid to the firm. Legal expenses incurred by PTHA for the year ended December 31, 2022 were \$253,008 and were entirely related to the law firm in which the President is a partner. The entire amount is included in professional fees as paid from Association funds.

The President of the Association is the sole owner of a firm providing consulting services for PTHA. Consulting expenses relating to the consulting firm in which the President is the sole

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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owner incurred by PTHA for the year ended December 31, 2022 were \$82,000. The entire amount is included in professional fees as paid from Association funds.

During the year, TFH received a \$72,710 contribution from PTHA. This transaction was eliminated in the combined financial statements.

Transfers of contributions collected by PTHA on behalf of the PAC in the amount of \$122,780, presented as contribution revenue and expense, were eliminated in the combined financial statements.

### **9. Benefit Plans**

Act 71 Pennsylvania Gaming Law mandates that a portion of the slot revenue be utilized for pension benefits. As a result, on December 2, 2009, the Board of Directors of PTHA approved two pension plans for the benefit of the trainers and the employees of PTHA. The Pennsylvania Thoroughbred Horsemen's Association Trainers' Retirement Plan and the Pennsylvania Thoroughbred Horsemen's Association Employees' Retirement Plan were approved by the Pennsylvania Gaming Control Board and adopted by the Association on March 1, 2010.

#### Trainer's Retirement Plan

Effective December 1, 2011, the Board of Directors of PTHA approved to amend the eligibility requirements of the Plan as follows:

Trainers will be eligible to participate in the defined contribution non-qualified pension plan if they meet one of the following criteria: has twenty starts during the calendar year or the prior calendar year, provided that 65 percent of such trainer's total annual starts for that year are at Parx Racing; has 100 starts during the calendar year or the prior calendar year; or has a full barn at Parx Racing. In the event that one of the three criteria are met, the PRDF will contribute an approved dollar amount per start into each participant's account. The Plan has a five-year vesting schedule and distributions would be made upon the participant obtaining the age of 65, becoming disabled, or death.

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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Effective February 13, 2016, the eligibility requirement of twenty starts was reduced to fifteen starts during the calendar year or the prior calendar year. All other eligibility requirements remained the same.

For 2022, trainers in all age groups received \$15 per eligible start.

Total contributions made to the Plan from the PRDF on behalf of eligible participants were \$161,235 for the year ended December 31, 2022.

### Employees' Retirement Plan

Eligible employees of the Association may participate in an ERISA, nondiscrimination qualified 401(k) plan. To be eligible to participate, an employee must have one year of service with the Association and attained the age of 21. Under the Plan, the PRDF may contribute a discretionary non-elective contribution.

Total contributions to pension plans from PRDF for the year ended December 31, 2022 were \$188,622. The employee's portion of this amount was \$27,387.

## 10. Commitments

The Association has contracted with a vendor through December 2031 to remove manure and wood shavings waste from the Philadelphia Park facility. The contract expense was \$310,900 for the year ended December 31, 2022.

Future minimum non-cancelable contract payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 338,000
2024	338,000
2025	338,000
2026	338,000
2027	338,000
2028-2031	<u>1,352,000</u>
Total	<u><u>\$ 3,042,000</u></u>

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# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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### 11. Risks and Uncertainties

For the year ended December 31, 2022, revenue includes \$1,522,408 arising from race track revenue received from the Live Racing Agreement. The loss of this revenue source could have a material effect on the Association.

Investments are exposed to various risks such as interest rate and market risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such changes could materially affect the amount reported on the statement of financial position.

### 12. Availability and Liquidity

The following represents the Association's financial assets available to meet general expenditures as of December 31, 2022. Funds restricted for PRDF are excluded as they are not available to meet general expenditures.

Financial assets at year-end:	
Cash and cash equivalents	\$ 568,178
Accounts receivable	297,714
Other receivables	54,089
Investments	<u>410,489</u>
Total financial assets	<u>1,330,470</u>
Less amounts not available to be used within one year:	
Assets restricted for PAC activities	<u>292,563</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,037,907</u></u>

Assets available to meet general expenditures include all cash accounts and receivables for PTHA, HPA, TFH, and PTHA-C. These financial assets have no internal or external restrictions and are available to meet current year obligations at December 31, 2022. The Association manages its liquid resources primarily by monitoring the timing of purse monies received

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**PENNSYLVANIA THOROUGHBRED  
HORSEMEN'S ASSOCIATION, INC.**

NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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pursuant to the Live Racing Agreement and matching the timing of expenses to ensure the Association has adequate funds to cover program and administrative expenses. In addition, if timing issues with receiving the purse monies arise, the Association is able to utilize investments to cover any remaining program and administrative expenses.

## **SUPPLEMENTARY INFORMATION**

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

	PTHA	HPA	TFH	PRDF	PAC	PTHA Charities	Eliminations	Combined Total
<b>Assets</b>								
<b>Current Assets:</b>								
Cash and cash equivalents	\$ 65,248	\$ 82,345	\$ 63,431	\$ -	\$ 292,563	\$ 64,591	\$ -	\$ 568,178
Accounts receivable, net	292,678	5,036	-	-	-	-	-	297,714
Other receivables	53,922	167	-	-	-	-	-	54,089
Due from Philadelphia Park	34,215	-	-	-	-	-	-	34,215
Intercompany receivables	97,389	-	-	-	-	-	(97,389)	-
Inventory	-	212,283	-	-	-	-	-	212,283
Prepaid expenses	8,851	1,850	-	-	-	-	-	10,701
Total current assets	<u>552,303</u>	<u>301,681</u>	<u>63,431</u>	<u>-</u>	<u>292,563</u>	<u>64,591</u>	<u>(97,389)</u>	<u>1,177,180</u>
Investments	<u>410,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>410,489</u>
<b>Restricted Pennsylvania Racehorse Development Trust</b>								
<b>Fund Assets:</b>								
Restricted cash	952,521	13,308	6,634	3,662,592	-	-	-	4,635,055
Restricted investments	-	-	-	1,114,802	-	-	-	1,114,802
Restricted intercompany receivable	-	-	-	972,463	-	-	(972,463)	-
Total restricted Pennsylvania Racehorse Development Trust Fund assets	<u>952,521</u>	<u>13,308</u>	<u>6,634</u>	<u>5,749,857</u>	<u>-</u>	<u>-</u>	<u>(972,463)</u>	<u>5,749,857</u>
<b>Equipment and Furnishings:</b>								
Cemetery lots	2,410	-	-	-	-	-	-	2,410
Vehicles	73,154	-	-	-	-	-	-	73,154
Storage trailers and related equipment	-	71,659	-	-	-	-	-	71,659
Office equipment and furniture	117,446	9,979	-	-	-	-	-	127,425
Less: accumulated depreciation	<u>(180,483)</u>	<u>(69,356)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(249,839)</u>
Net equipment and furnishings	<u>12,527</u>	<u>12,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,809</u>
<b>Total Assets</b>	<u><u>\$ 1,927,840</u></u>	<u><u>\$ 327,271</u></u>	<u><u>\$ 70,065</u></u>	<u><u>\$ 5,749,857</u></u>	<u><u>\$ 292,563</u></u>	<u><u>\$ 64,591</u></u>	<u><u>\$ (1,069,852)</u></u>	<u><u>\$ 7,362,335</u></u>

(Continued)



# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

(Continued)

	PTHA	HPA	TFH	PRDF	PAC	PTHA Charities	Eliminations	Combined Total
<b>Liabilities and Net Assets</b>								
<b>Liabilities:</b>								
Current liabilities:								
Accounts payable	\$ 169,365	\$ 35,691	\$ 3,200	\$ -	\$ 2,500	\$ -	\$ -	\$ 210,756
Customer deposits	-	13,626	-	-	-	-	-	13,626
Intercompany payables	-	97,389	-	-	-	-	(97,389)	-
Accrued payroll	9,199	7,202	-	-	-	-	-	16,401
Other accrued expenses	15,000	15,000	7,715	-	-	-	-	37,715
Line of credit	-	84,072	-	-	-	-	-	84,072
Total current liabilities	<u>193,564</u>	<u>252,980</u>	<u>10,915</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>(97,389)</u>	<u>362,570</u>
Pennsylvania Race Horse Development Trust								
Fund liabilities:								
PRDF liabilities	-	-	-	5,749,857	-	-	-	5,749,857
PRDF Intercompany payable	952,521	13,308	6,634	-	-	-	(972,463)	-
Total Pennsylvania Race Horse Development Trust Fund liabilities	<u>952,521</u>	<u>13,308</u>	<u>6,634</u>	<u>5,749,857</u>	<u>-</u>	<u>-</u>	<u>(972,463)</u>	<u>5,749,857</u>
Total liabilities	<u>1,146,085</u>	<u>266,288</u>	<u>17,549</u>	<u>5,749,857</u>	<u>2,500</u>	<u>-</u>	<u>(1,069,852)</u>	<u>6,112,427</u>
<b>Net Assets:</b>								
Without donor restrictions	584,134	60,983	52,516	-	290,063	64,591	-	1,052,287
With donor restrictions	197,621	-	-	-	-	-	-	197,621
Total net assets	<u>781,755</u>	<u>60,983</u>	<u>52,516</u>	<u>-</u>	<u>290,063</u>	<u>64,591</u>	<u>-</u>	<u>1,249,908</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,927,840</u>	<u>\$ 327,271</u>	<u>\$ 70,065</u>	<u>\$ 5,749,857</u>	<u>\$ 292,563</u>	<u>\$ 64,591</u>	<u>\$ (1,069,852)</u>	<u>\$ 7,362,335</u>

(Concluded)

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	PTHA	HPA	TFH	PAC	PTHA Charities	Eliminations	Combined Total
<b>Revenues and Support:</b>							
Net assets without donor restrictions:							
Shares of wagering - per Live Racing Agreement	\$ 1,522,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,522,408
Contributions	193,160	-	571,242	136,660	785	(195,490)	706,357
Fundraising, net of direct expenses of \$30,886	-	-	35,868	-	-	-	35,868
Sale of merchandise	-	4,001,555	-	-	-	-	4,001,555
Interest on Horsemen's funds - Philadelphia Park	96,376	-	-	-	-	-	96,376
Broadcasting income	950	-	-	-	-	-	950
Miscellaneous income	-	59	-	-	-	-	59
Investment return, net	9,481	-	-	-	-	-	9,481
Unrealized gain (loss) on investments	(113,965)	-	-	-	-	-	(113,965)
Loss on disposal	(8,438)	-	-	-	-	-	(8,438)
Net assets released from restriction	310,527	-	-	-	-	-	310,527
Total revenues and support	<u>2,010,499</u>	<u>4,001,614</u>	<u>607,110</u>	<u>136,660</u>	<u>785</u>	<u>(195,490)</u>	<u>6,561,178</u>
<b>Expenses:</b>							
Program services:							
Horsemen's Advocacy Program	2,083,074	-	-	137,200	-	(195,490)	2,024,784
Horse Supplies Program	-	3,965,099	-	-	-	-	3,965,099
Backstretch Social Programs	10,210	-	-	-	-	-	10,210
Thoroughbred Horse Retirement Program	-	-	590,343	-	-	-	590,343
Total program services	<u>2,093,284</u>	<u>3,965,099</u>	<u>590,343</u>	<u>137,200</u>	<u>-</u>	<u>(195,490)</u>	<u>6,590,436</u>
Management and general	87,104	39,247	15,513	40	6,336	-	148,240
Fundraising	-	-	7,826	-	-	-	7,826
Total expenses	<u>2,180,388</u>	<u>4,004,346</u>	<u>613,682</u>	<u>137,240</u>	<u>6,336</u>	<u>(195,490)</u>	<u>6,746,502</u>
Change in net assets without donor restrictions	<u>(169,889)</u>	<u>(2,732)</u>	<u>(6,572)</u>	<u>(580)</u>	<u>(5,551)</u>	<u>-</u>	<u>(185,324)</u>
<b>Net assets with donor restrictions:</b>							
Grants	289,808	-	-	-	-	-	289,808
Net assets released from restriction	(310,527)	-	-	-	-	-	(310,527)
Change in net assets with donor restrictions	<u>(20,719)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,719)</u>
<b>Change in Net Assets</b>	<u>(190,608)</u>	<u>(2,732)</u>	<u>(6,572)</u>	<u>(580)</u>	<u>(5,551)</u>	<u>-</u>	<u>(206,043)</u>
<b>Net Assets:</b>							
Beginning of year	972,363	63,715	59,088	290,643	70,142	-	1,455,951
End of year	<u>\$ 781,755</u>	<u>\$ 60,983</u>	<u>\$ 52,516</u>	<u>\$ 290,063</u>	<u>\$ 64,591</u>	<u>\$ -</u>	<u>\$ 1,249,908</u>

**PENNSYLVANIA THOROUGHBRED  
HORSEMEN'S ASSOCIATION, INC.**

**COMBINING STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2022

	PTHA	HPA	TFH	PRDF	PAC	PTHA Charities	Eliminations	Combined Total
<b>Cash Flows From Operating Activities:</b>								
Change in net assets	\$ (190,608)	\$ (2,732)	\$ (6,572)	\$ -	\$ (580)	\$ (5,551)	\$ -	\$ (206,043)
Adjustments to reconcile change in assets to net cash provided by (used in) operating activities:								
Depreciation	25,876	1,683	-	-	-	-	-	27,559
Unrealized (gain) loss on investments	113,965	-	-	-	-	-	-	113,965
Loss on disposal	8,438	-	-	-	-	-	-	8,438
Effects of changes in operating assets and liabilities:								
Accounts receivable	(275,670)	6,880	-	-	-	-	-	(268,790)
Other receivables	19,498	(167)	-	-	-	-	-	19,331
Intercompany receivables	13,415	-	-	-	-	-	(13,415)	-
Restricted investments	-	-	-	236,484	-	-	-	236,484
Restricted intercompany receivables	-	-	-	(627,947)	-	-	627,947	-
Inventory	-	(27,061)	-	-	-	-	-	(27,061)
Prepaid expenses	21,755	-	-	-	-	-	-	21,755
Accounts payable	44,411	25,608	(22,738)	-	-	-	-	47,281
Customer deposits	-	3,551	-	-	-	-	-	3,551
Due to Philadelphia Park	(19,550)	-	-	-	-	-	-	(19,550)
Intercompany payables	-	(13,415)	-	-	-	-	13,415	-
Accrued payroll	(3,020)	(1,457)	-	-	-	-	-	(4,477)
PRDF intercompany payables	622,318	1,357	6,634	-	-	(2,362)	(627,947)	-
Other accrued expenses	15,000	15,000	1,215	-	-	-	-	31,215
PRDF liabilities	-	-	-	(1,143,542)	-	-	-	(1,143,542)
Net cash provided by (used in) operating activities	395,828	9,247	(21,461)	(1,535,005)	(580)	(7,913)	-	(1,159,884)

(Continued)

**PENNSYLVANIA THOROUGHBRED  
HORSEMEN'S ASSOCIATION, INC.**

**COMBINING STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2022

(Continued)

	PTHA	HPA	TFH	PRDF	PAC	PTHA Charities	Eliminations	Combined Total
<b>Cash Flows From Investing Activities:</b>								
Purchase of investments	(9,482)	-	-	-	-	-	-	(9,482)
Purchase of equipment and furnishings	(11,107)	-	-	-	-	-	-	(11,107)
Net cash provided by (used in) investing activities	(20,589)	-	-	-	-	-	-	(20,589)
<b>Cash Flows From Financing Activities:</b>								
Principal payments on loans payable and lines of credit	(147,330)	-	-	-	-	-	-	(147,330)
Net cash provided by (used in) financing activities	(147,330)	-	-	-	-	-	-	(147,330)
<b>Net Increase in Cash, Cash Equivalents, and Restricted Cash</b>	227,909	9,247	(21,461)	(1,535,005)	(580)	(7,913)	-	(1,327,803)
<b>Cash, Cash Equivalents, and Restricted Cash:</b>								
Beginning of year	789,860	86,406	91,526	5,197,597	293,143	72,504	-	6,531,036
End of year	<u>\$ 1,017,769</u>	<u>\$ 95,653</u>	<u>\$ 70,065</u>	<u>\$ 3,662,592</u>	<u>\$ 292,563</u>	<u>\$ 64,591</u>	<u>\$ -</u>	<u>\$ 5,203,233</u>
<b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash:</b>								
Cash and cash equivalents	65,248	82,345	63,431	-	292,563	64,591	-	568,178
Restricted cash	952,521	13,308	6,634	3,662,592	-	-	-	4,635,055
Total cash, cash equivalents, and restricted cash	<u>\$ 1,017,769</u>	<u>\$ 95,653</u>	<u>\$ 70,065</u>	<u>\$ 3,662,592</u>	<u>\$ 292,563</u>	<u>\$ 64,591</u>	<u>\$ -</u>	<u>\$ 5,203,233</u>
<b>Supplemental Cash Flow Disclosures:</b>								
Cash paid for interest	\$ 8,425	\$ 5,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,263

(Concluded)

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS AND CHANGES IN CASH BALANCES - PENNSYLVANIA RACEHORSE DEVELOPMENT TRUST FUNDS

PERIOD JANUARY 1, 2022 THROUGH DECEMBER 31, 2022

	Purses	Contractual Agreement	Benefits	Total
Cash receipts:				
Gaming funds - cash receipts	\$ 46,315,547	\$ 1,439,440	\$ 4,101,521	\$ 51,856,508
Promotional payback reduction	(811,046)	(25,084)	(58,355)	(894,485)
Interest earned	-	-	10,792	10,792
Total cash receipts	<u>45,504,501</u>	<u>1,414,356</u>	<u>4,053,958</u>	<u>50,972,815</u>
Other revenue:				
N.Y. Simulcast	369,000	-	-	369,000
Investment return	-	-	(225,592)	(225,592)
Miscellaneous income	-	-	19,292	19,292
Total other revenue	<u>369,000</u>	<u>-</u>	<u>(206,300)</u>	<u>162,700</u>
Cash disbursements:				
Purse payments - Parx	(46,951,906)	-	-	(46,951,906)
Contractual disbursements	-	(1,414,356)	-	(1,414,356)
Health and welfare benefit disbursements	-	-	(3,663,041)	(3,663,041)
Administrative disbursements	-	-	(249,754)	(249,754)
Total cash disbursements	<u>(46,951,906)</u>	<u>(1,414,356)</u>	<u>(3,912,795)</u>	<u>(52,279,057)</u>
Changes in escrow balances	(1,078,405)	-	(65,137)	(1,143,542)
Escrow balance at January 1, 2022	<u>5,106,881</u>	<u>-</u>	<u>1,786,518</u>	<u>6,893,399</u>
Escrow balance at December 31, 2022	<u>\$ 4,028,476</u>	<u>\$ -</u>	<u>\$ 1,721,381</u>	<u>\$ 5,749,857</u>

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

**PENNSYLVANIA THOROUGHBRED  
HORSEMEN'S ASSOCIATION, INC.**

**SCHEDULE OF ADMINISTRATIVE EXPENSES**

YEAR ENDED DECEMBER 31, 2022

	<u>Date</u>	<u>Amount</u>	<u>Description</u>
Accounting fees	Total for 2022	\$ 72,592	Accounting fees
Audit fee	Total for 2022	60,565	Audit fee
Bank service charges	Total for 2022	6,472	Bank service charges
Investment service charges	Total for 2022	10,957	Advisory fees - RBC
Simon, Edward G.	2/4/2022	3,625	Consultant
Simon, Edward G.	3/2/2022	3,250	Consultant
Simon, Edward G.	4/1/2022	4,125	Consultant
Simon, Edward G.	5/2/2022	4,625	Consultant
Simon, Edward G.	6/11/2022	4,125	Consultant
Simon, Edward G.	7/1/2022	4,750	Consultant
Simon, Edward G.	8/1/2022	4,875	Consultant
Simon, Edward G.	9/2/2022	2,625	Consultant
Simon, Edward G.	10/5/2022	3,750	Consultant
Simon, Edward G.	11/1/2022	4,125	Consultant
Simon, Edward G.	12/1/2022	2,875	Consultant
Simon, Edward G.	12/31/2022	5,000	Consultant
Horsemen's Purchasing Association	Total for 2022	51,418	Health Care Expense
Administrative expenses at December 31, 2022		<u>\$ 249,754</u>	

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS AND CHANGES IN CASH BALANCES – PENNSYLVANIA RACEHORSE DEVELOPMENT TRUST FUNDS

YEAR ENDED DECEMBER 31, 2022

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### **1. Basis of Presentation**

The accompanying statement of cash receipts and cash disbursements and changes in cash balances includes the Pennsylvania Race Horse Development Trust Fund activity of the Pennsylvania Thoroughbred Horsemen's Association (Association) and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with Chapter 436a of the Pennsylvania Horse Development and Gaming Act, and fiscal code (72 P.S. § 1701-O). Therefore, some amounts presented in this schedule 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 Trust Funds to the casinos on a weekly basis. Approximately two weeks after the Casino has received the Pennsylvania Racehorse Development Trust Funds, amounts are wired to the Association into their Pennsylvania Racehorse Development Trust Fund Division.

The Funds are wired into a clearing account at the Association. From this account, management of the Association transmits the Pennsylvania Racehorse Development Trust Funds into four (4) separate accounts:

- Purses – Overnight
- Purses – Stakes
- Contractual Agreement
- Health and Benefit

A statistician contracted by the Association sends an email to the Association staff indicating the amounts of funds to transfer to Parx Racing each week for the various purses paid. The Association also receives an email from the racetrack officials stating how much money is needed each week for purses. The Association compares the two before the monies are sent. Health and welfare disbursements are made directly by the Association based on the invoices received.

# **PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.**

## **NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS AND CHANGES IN CASH BALANCES – PENNSYLVANIA RACEHORSE DEVELOPMENT TRUST FUNDS**

YEAR ENDED DECEMBER 31, 2022

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Management of the Association determines the portion of the Race Horse Development Trust Funds to transfer to Parx Racing for purse purposes based on the estimate provided by Parx Racing.

The frequency of purse payments 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 Parx Racing by both Parx Racing and the Association's consultants. Health disbursements are made directly to the carriers based on invoiced amounts.



**Pennsylvania Thoroughbred  
Horsemen's Association, Inc.**

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  
Pennsylvania Thoroughbred Horsemen’s Association, Inc.**

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 combined financial statements (financial statements) of the Pennsylvania Thoroughbred Horsemen’s Association, Inc. (Association), which comprise the combined statement of financial position as of December 31, 2022, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated November 27, 2024. Our report includes reference to another report on the Association’s financial statements. The financial statements of Turning for Home, Inc. (TFH) were not audited in accordance with *Government Auditing Standards*.

### **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 opinion 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

### Report on 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-O). 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2022-001.

### The Association's Responses to Findings

The Association's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### 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 organization'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maher Duessel*

Harrisburg, Pennsylvania  
November 27, 2024

# PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

## SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2022

### **Finding 2022-001: Filing of Quarterly Reports**

*Condition:* All four of the quarterly reports were not filed timely with the Pennsylvania Gaming Control Board (PGCB) during the year ended December 31, 2022.

*Criteria:* Chapter 436a, Section 436a.4(e), requires that Horsemen's organizations shall file with the PGCB a quarterly report, due by the 20th day of the month following the end of each calendar quarter, which shall account for (i) funds received and disbursed for purse supplements and (ii) health and retirement benefits.

*Cause:* The Association does not have an established control to ensure compliance with Section 436a.4(e), filing requirements of the PGCB.

*Effect:* The Association is not in compliance with 436a.4(e) as all four of the quarterly reports for the year ended December 31, 2022 were not filed until 2023.

*Recommendation:* We recommend that management develop procedures and controls to ensure that all four of the quarterly reports are filed timely with the PGCB.

*Management's Response:* Due to the Covid-19 pandemic, the association was delayed in filing the 2022 quarterly reports to the PGCB timely. We agree with the recommendation and will use our best efforts to comply.