

# **Meadows Standardbred Owners Association**

## Financial Statements and Supplementary Information

Years Ended December 31, 2021 and 2020  
with Independent Auditor's Reports

**MaherDuessel**

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# MEADOWS STANDARD BRED OWNERS ASSOCIATION

YEARS ENDED DECEMBER 31, 2021 AND 2020

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## Independent Auditor's Report

**Board of Directors and Secretary Albright,  
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, 2021 and 2020, 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, 2021 and 2020, 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, 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 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2022 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.

*Maheer Duessel*

Harrisburg, Pennsylvania  
April 15, 2022

# MEADOWS STANDARD BRED OWNERS ASSOCIATION

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
<b>Assets</b>		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 664,236	\$ 3,826,180
Insurance payments receivable	18,870	2,845
Total current assets	683,106	3,829,025
Fixed assets:		
Equipment	97,869	97,869
Less: accumulated depreciation	(47,569)	(39,122)
Net fixed assets	50,300	58,747
Other assets:		
Restricted cash and cash equivalents	1,813,191	780,662
<b>Total Assets</b>	<b>\$ 2,546,597</b>	<b>\$ 4,668,434</b>
<b>Liabilities and Net Assets</b>		
<hr/>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 26,429	\$ 9,194
Accrued expenses	24,127	7,739
Payroll taxes and deductions	845	3,688
Total current liabilities	51,401	20,621
Noncurrent Liabilities:		
Escrow funds:		
Purse	1,157,308	100,206
Health and welfare	655,883	680,456
Total noncurrent liabilities	1,813,191	780,662
Total Liabilities	1,864,592	801,283
Net Assets:		
Without donor restrictions	682,005	3,867,151
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,546,597</b>	<b>\$ 4,668,434</b>

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

# MEADOWS STANDARDBRED OWNERS ASSOCIATION

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<b>Revenues:</b>		
Pari-mutuel	\$ 10,055,936	\$ 8,853,056
Government grants	272,034	-
Membership dues	60	13,150
Interest income	15,777	67,856
Miscellaneous income	36,164	8,180
Total revenues	10,379,971	8,942,242
<b>Expenses:</b>		
Program services - Horsemen's expense:		
Purses paid	11,694,969	11,319,305
Grooms health insurance	655,979	534,683
Insurance	118,829	67,983
Salaries, payroll taxes, and employee benefits	242,522	225,722
Rent and leased equipment	11,435	11,690
Telephone	2,041	1,825
Licenses and permits	200	1,680
Professional fees	196,903	168,105
Membership dues	11,875	9,630
Horsemen's services and events	37,331	37,030
Donations, scholarships, and research	35,378	28,256
Total program services - Horsemen's expense	13,007,462	12,405,909
Support services:		
Salaries, payroll taxes, and employee benefits	58,459	70,563
General office	25,723	21,108
Advertising	184,681	143,775
Meetings and travel	10,701	22,648
Professional fees	269,644	277,760
Depreciation	8,447	8,643
Total support services	557,655	544,497
Total expenses	13,565,117	12,950,406
<b>Change in Net Assets</b>	(3,185,146)	(4,008,164)
<b>Net Assets Without Donor Restrictions:</b>		
Beginning of year	3,867,151	7,875,315
End of year	\$ 682,005	\$ 3,867,151

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

**MEADOWS STANDARD BRED  
OWNERS ASSOCIATION**

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (3,185,146)	\$ (4,008,164)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,447	8,643
Effects of changes in operating assets and liabilities:		
Gaming funds received	17,851,187	14,057,810
Interest on restricted funds	10,802	20,042
Prepaid expenses	(16,025)	9,055
Purse payments	(15,343,622)	(14,806,893)
Health and welfare benefits disbursements	(1,485,838)	(1,611,528)
Accounts payable	17,235	(87,965)
Payroll liabilities	16,388	(1,654)
Accrued expenses	(2,843)	2,679
Net cash provided by (used in) operating activities	(2,129,415)	(6,417,975)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(2,129,415)	(6,417,975)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	4,606,842	11,024,817
End of year	\$ 2,477,427	\$ 4,606,842
Consists of:		
Cash and cash equivalents	\$ 664,236	\$ 3,826,180
Restricted cash and cash equivalents	1,813,191	780,662
	\$ 2,477,427	\$ 4,606,842

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

# MEADOWS STANDARDBRED OWNERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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### 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, 2021 and 2020.

#### 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

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# MEADOWS STANDARD BRED OWNERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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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.

### 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, 2021.

# MEADOWS STANDARD BRED OWNERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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### 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 1<sup>st</sup> to June 30<sup>th</sup>, and any amount remaining after June 30<sup>th</sup> is kept by the state. During the years ended December 31, 2021 and 2020, the Association incurred \$122,034 and \$0, respectively, in costs under this grant, all of which were reimbursed by the state and recorded. The Association had \$92,376 and \$122,034 remaining award balances at December 31, 2021 and 2020, 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.

### 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

# MEADOWS STANDARD BRED OWNERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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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.

### Pending Accounting Standards Updates

The Financial Accounting Standards 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 this update on the financial statements.

ASU 2016-02, "*Leases (Topic 842)*," is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments and related amendments will 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 also will be 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.

### Reclassifications

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

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# MEADOWS STANDARD BRED OWNERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

### 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.

The detail of transactions in these accounts for 2021 and 2020 is as follows:

	Purses	Benefits
<b>Restricted Cash Balances, January 1, 2020</b>	\$ 1,986,913	\$ 1,134,318
Gaming funds - WTA	12,906,424	1,151,386
Interest income	13,762	6,280
	12,920,186	1,157,666
Purse payments - WTA	(14,806,893)	-
Health and welfare benefits	-	(1,611,528)
	(14,806,893)	(1,611,528)
<b>Restricted Cash Balances, December 31, 2020</b>	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)
<b>Restricted Cash Balances, December 31, 2021</b>	\$ 1,157,308	\$ 655,883

# MEADOWS STANDARD BRED OWNERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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### 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, 2021 and 2020, 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 cash equivalents and insurance payments receivable of \$683,106 and \$3,829,025 for the years ended December 31, 2021 and 2020, 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.

### 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.

# MEADOWS STANDARD BRED OWNERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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### 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 2021 and 2020 totaled \$44,784 and \$37,989, respectively.

### 7. Lease

The Association leases copier equipment under a noncancelable operating 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 2021 and 2020 were \$3,968 and \$3,783, respectively.

Minimum lease payments required under the copier lease are:

2022	\$	3,276
2023		<u>2,184</u>
Total	\$	<u><u>5,460</u></u>

### 8. Subsequent Event

After year-end, the Association entered into a settlement agreement with Washington Trotting Association and Mountain Laurel Racing (collectively "The Meadows") concerning the closing of the Harmar Off-Track Wagering Facility and the related payments made by the Association. As part of this agreement, the Association received \$100,000 from The Meadows and has recognized this as revenue in 2022.

## **SUPPLEMENTARY INFORMATION**

## MEADOWS STANDARD BRED OWNERS ASSOCIATION

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

YEAR ENDED DECEMBER 31, 2021

	<u>Purses</u>	<u>Benefits</u>	<u>Total</u>
Cash Receipts:			
Gaming funds - WTA	\$ 16,393,144	\$ 1,458,043	\$ 17,851,187
Interest earned	7,580	3,222	10,802
Total cash receipts	<u>16,400,724</u>	<u>1,461,265</u>	<u>17,861,989</u>
Cash Disbursements:			
Purse payments - WTA	15,343,622	-	15,343,622
Health and welfare benefit payments	-	1,485,838	1,485,838
Total cash disbursements	<u>15,343,622</u>	<u>1,485,838</u>	<u>16,829,460</u>
Changes in Restricted Cash Balances	1,057,102	(24,573)	1,032,529
Restricted Cash Balance at January 1, 2021	<u>100,206</u>	<u>680,456</u>	<u>780,662</u>
Restricted Cash Balance at December 31, 2021	<u>\$ 1,157,308</u>	<u>\$ 655,883</u>	<u>\$ 1,813,191</u>
Reconciliation to audited financial statements:			
Gaming funds, as reported above	<u>\$ 16,393,144</u>	<u>\$ 1,458,043</u>	<u>\$ 17,851,187</u>
Gaming funds, as reported in Note 2 to the audited financial statements	<u>\$ 16,393,144</u>	<u>\$ 1,458,043</u>	<u>\$ 17,851,187</u>
Purse and benefit payments, as reported above	<u>\$ 15,343,622</u>	<u>\$ 1,485,838</u>	<u>\$ 16,829,460</u>
Purse and benefit payments, as reported in Note 2 to the audited financial statements	<u>\$ 15,343,622</u>	<u>\$ 1,485,838</u>	<u>\$ 16,829,460</u>

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, 2021

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### **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 2021.

**Meadows Standardbred  
Owners Association**

Independent Auditor's Report in  
Accordance with  
*Government Auditing Standards*

Year Ended December 31, 2021

**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 Albright,  
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, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2022.

### **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 were not identified. We did identify a

Board of Directors and Secretary Albright,  
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 2021-001, 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  
April 15, 2022

# MEADOWS STANDARDBRED OWNERS ASSOCIATION

## SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2021

### **Finding 2021-001 Segregation of Duties**

#### Statement of Condition/Cause:

The Meadows Standardbred Owners Association (Association) does not have sufficient controls in place to prevent or detect misstatements of the financial statements on a timely basis. This increases the risk that errors or irregularities may occur in the financial statements and not be detected on a timely basis. This control matter is the result of a limited number of staff being employed by the Association.

#### Criteria:

The Committee of Sponsoring Organizations' (COSO) Internal Control Integrated Framework establishes a set of requirements for assessing and determining whether an entity has implemented an appropriate control environment. Inherent in that analysis is the review of adequate segregation of duties among the staff of an organization, which is an integral component in achieving an effective internal control structure.

#### Effect:

The Association is unable to create an ideal system of internal controls which would reduce the risk that the financial statements include errors. As such, errors, irregularities, or inconsistencies in the application of accounting principles may exist and not be detected.

#### Repeat Finding:

This is a repeat of prior year finding 2020-001.

#### Recommendation:

We recommend that management and the Board of Directors (Board) continue to be aware of the risks to financial reporting in an environment where segregation of duties is limited. We also recommend that management and the Board exercise a high level of scrutiny for activity recorded in the Association's accounting software and look for ways to increase the level of duties segregation to improve the system of internal control.

# MEADOWS STANDARD BRED OWNERS ASSOCIATION

## SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2021

### Views of Responsible Officials and Planned Corrective Action:

The Board is aware of the risks to financial reporting in an environment where segregation of duties is limited. Focus is on the cash receipts and cash disbursements because we feel those are the vulnerable areas. Every month, the Board receives an agenda before each Board meeting, listing all cash disbursements over \$500 for approval at the meeting.

The Treasurer of the Board receives and reviews a detailed schedule of all cash receipts and disbursements on a quarterly basis.

Additionally, in December 2021 an external accountant was hired to help review financial statements and assist with day-to-day accounting.