

**PENNSYLVANIA HORSEMEN'S  
ASSOCIATION**

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

PERFORMANCE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

**PENNSYLVANIA HORSEMEN’S ASSOCIATION**

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

**Performance Audit Report**

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## INDEPENDENT AUDITORS' REPORT

Commonwealth of Pennsylvania  
Office of the Budget  
Comptroller Operations  
Bureau of Audits  
Harrisburg, Pennsylvania

We have completed a performance audit of Pennsylvania Thoroughbred Horsemen's Association, Inc. (Association) for the year ended December 31, 2011. The objective of the performance audit was to examine and report on the Association's fiduciary responsibility related to Pennsylvania Racehorse Development Funds pursuant to the Pennsylvania State Code as referenced in Appendix 4.

We conducted our performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

*McKonly & Asbury, LLP*

Camp Hill, Pennsylvania  
December 26, 2012

# PENNSYLVANIA HORSEMEN'S ASSOCIATION

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

### EXECUTIVE SUMMARY

#### *Objectives, Scope and Audit Methodology*

This performance audit of The Pennsylvania Thoroughbred Horsemen's Association, Inc. (the Association) covers two summary objectives. Objective one is the quality control review of the external financial audit and objective two is the reconciliation of the receipt and disbursement of Pennsylvania Race Horse Development Funds and compliance with selected sections of PA Code 436a and 436b. This performance audit covers the fiscal period ended December 31, 2011. The audit methodology included understanding the processes and internal controls related to financial reporting and the receipt and disbursement of Pennsylvania Race Horse Development Funds. The auditors performed limited testing, as necessary, to present a conclusion on the detailed and summary objectives.

#### *Audit Results, Findings, Conclusions, and Recommendations*

The performance audit resulted in minor findings which did not materially impact the financial statements or compliance with PA Code 436a and 436b. Relative to the portion of Pennsylvania Race Horse Development Funds designed for purse supplements according to PA Code § 436b.5(a)(2)<sup>1</sup> and 4 PA.C.S.A. § 1406(a)(1)(i)<sup>2</sup>, the audit noted an inconsistency between the four horsemen's associations in the processes used for distribution of Pennsylvania Race Horse Development Funds purse monies. This inconsistency is the result of a Live Racing Agreement. The Live Racing Agreement allocates 3% of the Pennsylvania Racehorse Development Funds purse monies to the Association for general uses (known as contractual agreement funds, akin to membership dues). Disbursements from contractual agreement funds are for purposes other than purses. This is a result of the combination of race horse development funds as directed in 4 PA.C.S.A. § 1406(a)(1)(i). This is not consistent with 1406(c)<sup>3</sup> which requires the funds to be kept separate. It is recommended that the inconsistencies be reviewed by the appropriate authority of the Commonwealth of Pennsylvania.

#### *Quality Control Review of the External Financial Audit*

The quality control review of the external financial audit resulted in no findings affecting the accuracy of the financial statements as a whole. The conclusion is that the external audit was performed in accordance with auditing standards generally accepted in the United States of America and the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

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<sup>1</sup>PA Code § 436b.5(a)(2) Quarterly report of funds distributed for purse supplements from the account established by and for the benefit of the horsemen under 4 PA.C.S.A. § 1406(a)(1)(i).

<sup>2</sup> 4 PA.C.S.A. § 1406(a)(1)(i) Eighty percent to be deposited weekly into a separate, interest-bearing purse account to be established by and for the benefit of the horsemen. The earned interest on the account shall be credited to the purse account. Licensees shall combine these funds with revenues from existing purse agreements to fund purses for live races consistent with those agreements with the advice and consent of the horsemen.

<sup>3</sup> 1406 (c) Eligible recipients.--Funds allocated to the horsemen's organization under this part must be used to benefit all horsemen. Funds acquired from other sources shall be kept separate and apart from funds obtained under this part.

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### *Reconciliation of the Receipt and Disbursement of Pennsylvania Race Horse Development Funds and Compliance with PA Code 436a and 436b*

The performance audit verified that three percent (3%) of Pennsylvania Racehorse Development Funds earmarked for purses are being allocated to the Association via a Live Racing Agreement. The Association uses the proceeds from the Live Racing Agreement for purposes other than purse distributions.

The performance audit verified compliance with PA Code 436a and 436b with the exception that some health & welfare plans were not submitted to the Pennsylvania Gaming Control Board at least ninety (90) days prior to their effective date and that legal fees were paid to a legal firm that employs the president of the board of directors. The conclusion is that, with these exceptions, the Association complied with the requirements of PA Code 436a and 436b. It is recommended that management implement procedures to submit health & welfare contracts to the Pennsylvania Gaming Control Board at least ninety (90) days prior to their effective date. In addition, it is recommended that management provide assurance that there is no conflict of interest between the transactions with the legal firm and the governance provided by the board of directors.

### **BACKGROUND AND ADDITIONAL INFORMATION**

#### ***Organization***

Pennsylvania Thoroughbred Horsemen's Association, Inc. (Association) is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania. The Association's mission is to protect and provide for the Philadelphia Park horsemen through the guarantee of live racing, increased purses, and health care for its families. The Association acts as a fiduciary in the collection and dispersal of Pennsylvania Racehorse Development Funds.

The Association has transactions with the following related affiliates:

- Horsemen's Purchasing Association, Inc. – a PA for-profit corporation
- Pennsylvania Thoroughbred Horsemen's Association Benefit Trust – A PA trust
- Turning for Home, Inc. – A PA not-for-profit corporation

The entities are governed by the same board of directors and officers, share the same facilities, and service the same members. As noted below in the Live Racing Agreement section of the report, a portion of Pennsylvania Racehorse Development Funds were disbursed to affiliates.

The Association receives Pennsylvania Racehorse Development Funds from the Philadelphia Parx Casino (Casino).

#### ***Flow of Pennsylvania Racehorse Development Funds***

Every week the Pennsylvania Department of Revenue transfers Pennsylvania Racehorse Development Funds to the Casino. Approximately two weeks after the Casino has received the Pennsylvania Racehorse Development Funds, amounts are wired to the Association into their Pennsylvania Racehorse Development Fund Division.

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The funds are wired into a clearing account at the Association. From this account, management of the Association transmits the Pennsylvania Racehorse Development 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 Association staff indicating the amount of funds to transfer to the Casino each week for the various purses paid. The Association also receives an email from racetrack officials stating how much money is needed each week for purses. The Association compares the two amounts and any discrepancies between the statistician's amount and the racetrack's amount are investigated before the monies are sent. Health & welfare disbursements are made directly by the Association based on invoices received.

#### *Live Racing Agreement*

The Association entered into a Live Racing Agreement with the entities that operate and conduct thoroughbred racing at Philadelphia Park effective September 4, 2004, expiring on December 31, 2018. As outlined in the agreement, purse monies received shall be allocated as follows:

- Purses, Overnight – 90%
- Purses, Stakes – 7%
- Association – 3%

As mentioned above, the Association transmits Pennsylvania Racehorse Development Funds received from the Casino into corresponding bank accounts prior to disbursement. Amounts transmitted to the Contractual Agreement account represent the Association's share of the Live Racing Agreement and are calculated based on the total portion of Pennsylvania Racehorse Development Funds designated for purses. Disbursements from the Contractual Agreement account are used for expenses other than purses. The total amount of purse funds paid to the Association during 2011 totaled \$1,335,305. A portion of these amounts was ultimately disbursed to affiliates of the Association.

#### *Audited Financial Statements*

The financial statements of the Association are audited on an annual basis in conformity with accounting principles generally accepted in the United States of America by Frank H. Slattery & Associates, LLC. The auditor's report on financial statements for the fiscal year ended December 31, 2011, was issued by Frank H. Slattery & Associates, LLC on March 22, 2012.

The financial statements of the Pennsylvania Race Horse Development Fund Division of the Pennsylvania Thoroughbred Horsemen's Association, Inc. are audited on an annual basis in conformity with accounting principles generally accepted in the United States of America by Herbein + Company, Inc. The auditor's report

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on financial statements for the fiscal year ended December 31, 2011, was issued by Herbein + Company, Inc. on March 28, 2012.

The financial statements and auditor's reports can be found at Appendix 3.

#### *Eligibility for Membership, Health, and Pension Plans*

##### Association Membership:

Eligibility: Any owner, owner-trainer, or trainer of a race horse who is currently licensed and in good standing as such with the Pennsylvania State Racing Commission, shall be eligible for membership in the Association. Any partnership, corporation or other association which is so licensed shall likewise be eligible for membership. Provided, however, that any individual or entity who, directly or indirectly, owns the aggregate of less than one total race horse, shall not be eligible for membership regardless of licensing.

Membership: Any person or entity eligible for membership in the Association shall become a member at such time as such person, or the entity through which eligibility for membership is established, shall start a race horse in a qualifying race at Philadelphia Park (which is a race on which pari-mutuel wagering is authorized within the jurisdiction of the Association), unless the Association is notified in writing that such a person or entity does not desire to be a member of the Association.

##### Health Benefit Plan:

The plan is for the benefit of members of the Association who meet one of the following criteria for the prior year, and the spouses and dependents (children under 19 years of age) of such members:

- Trainers with 20 starts during the year AND 65% of total starts are at PARX Racing.
- Trainers with 100 starts at PARX Racing.
- Any trainer with a full barn at PARX.
- Employees of the Association.

##### Coverage

- Health Insurance
- Dental
- Vision
- Life Insurance - \$5,000 Term Life Insurance

##### Trainers Retirement Plan:

The plan will cover a Trainer who:

- has Eligible Starts during the calendar year and 65% of total annual starts are at PARX Racing;

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- has 100 Eligible Starts during the calendar year at PARX Racing; and
- has a Full Barn at PARX.

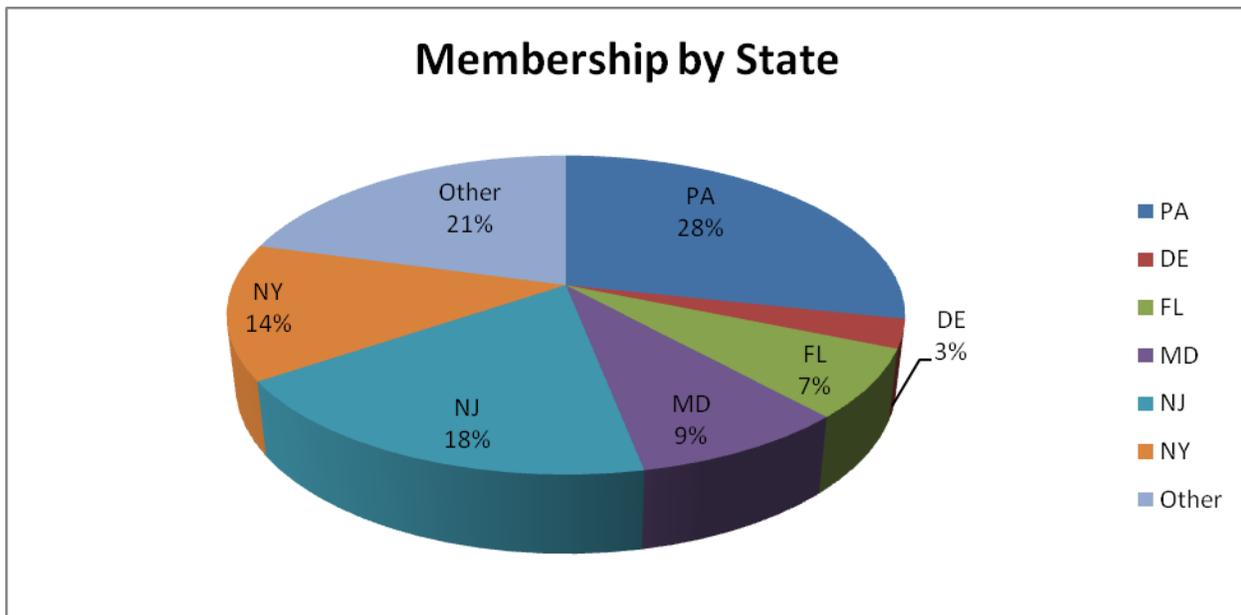
An Eligible Trainer shall become a Participant effective as of the first day of the calendar year during which he meets the eligibility requirements.

### Employee Retirement Plan:

For all plan purposes, any Eligible Employee who has completed one (1) Year of Service and has attained age 21 shall be eligible to participate hereunder as of the date such Employee has satisfied such requirements.

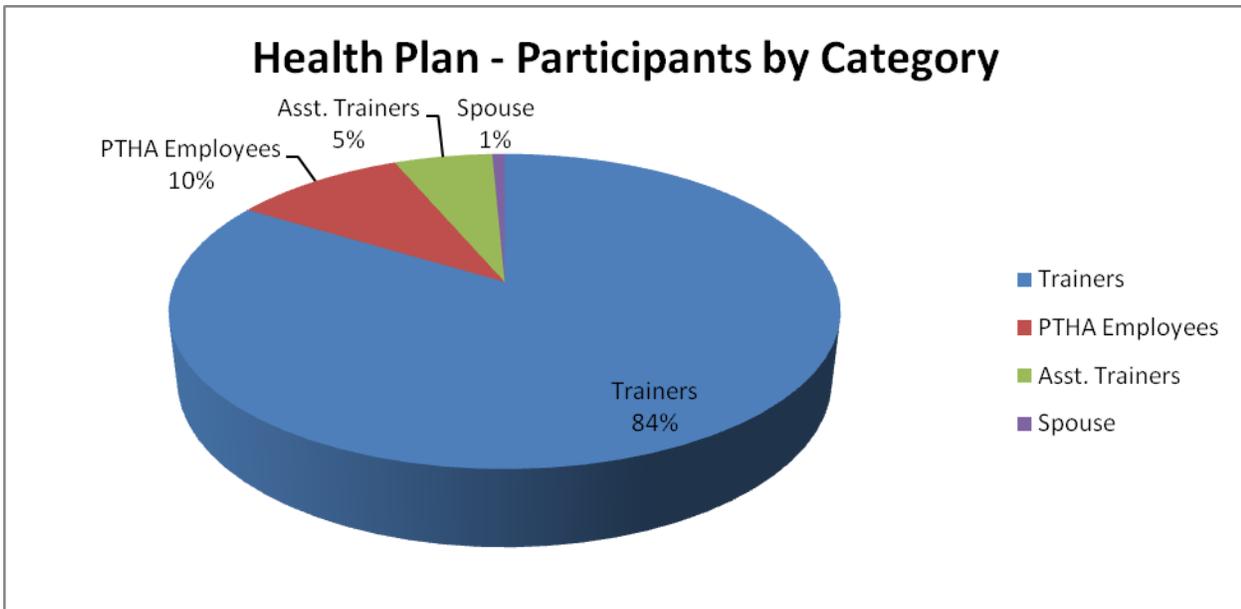
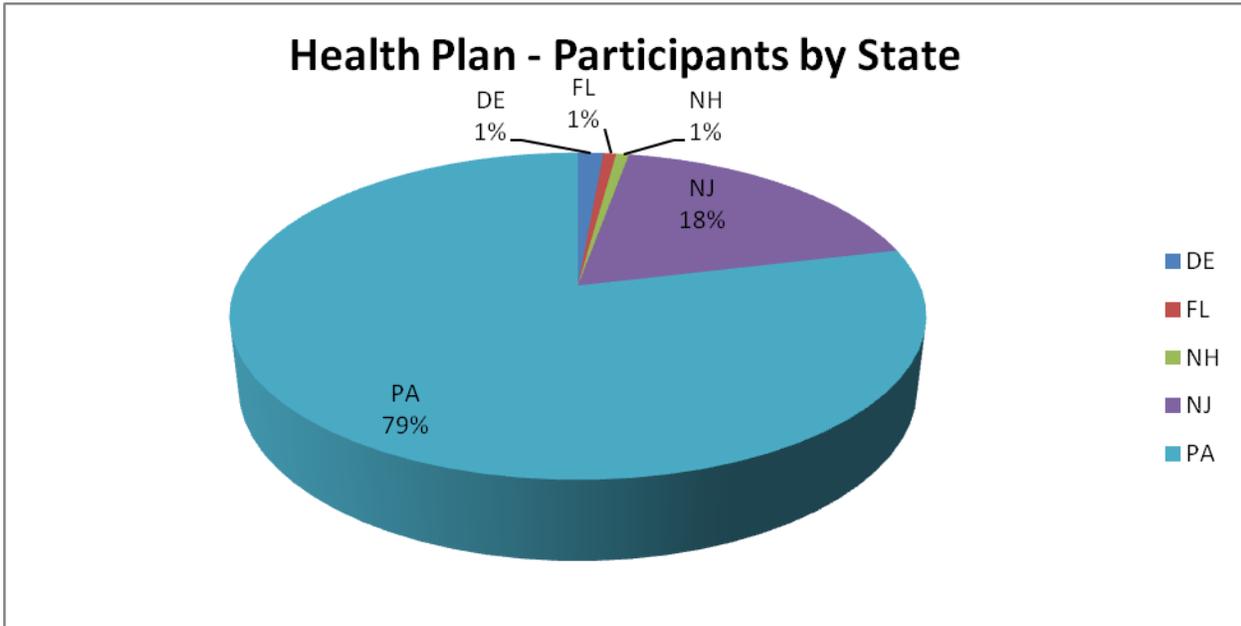
### *Membership and Eligibility Data:*

Based on information provided to us during our fieldwork, the graphical representations of membership and eligibility of the Association have been made below. This information was not audited by M&A and is derived by information included in Appendix 5.



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# PENNSYLVANIA HORSEMEN'S ASSOCIATION

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### OBJECTIVES, SCOPE, AND AUDIT METHODOLOGY

#### *Audit Objectives*

##### Quality Control Review of the External Financial Audit

OBJECTIVE 1: To perform a quality control review of the audit work performed by the external auditor for each horsemen's association.

OBJECTIVE 2: To perform a quality control review of the Association's audited financial statements, including financial statement disclosures.

OBJECTIVE 3: To determine that sufficient audit attention was given to the accounting and reporting of the association's share of Pennsylvania Racehorse Development Funds

##### Reconciliation of Race Horse Development Funds

OBJECTIVE 1: To verify the amount of Pennsylvania Racehorse Development Funds disbursed to each relevant category 1 licensee.

OBJECTIVE 2: To verify the amount of Pennsylvania Racehorse Development Funds disbursed to each association.

OBJECTIVE 3: To verify the amount of Pennsylvania Racehorse Development Funds received as reported on the association's general ledger.

OBJECTIVE 4: To verify the completeness and accuracy of the association's activity within the escrow accounts used to account for the Pennsylvania Racehorse Development Funds.

OBJECTIVE 5: To examine and report upon the amount of purse funds distributed from the association's Pennsylvania Racehorse Development Funds in accordance with PA Code 436a and 436b.

OBJECTIVE 6: To examine and report upon the amount of health & welfare funds distributed from the association's Pennsylvania Racehorse Development Funds in accordance with PA Code 436a and 436b.

OBJECTIVE 7: To determine that health & welfare plans have been administered in accordance with PA Code 436a and 436b.

OBJECTIVE 8: To determine that the recipients of health and welfare benefits are eligible members of each association.

#### *Scope*

This performance audit is limited to The Pennsylvania Thoroughbred Horsemen's Association, Inc. for the fiscal year ending December 31, 2011, and includes Pennsylvania Racehorse Development Funds as included in the

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Association's audited financial statements and the statement of receipts and disbursements (Appendix 2). Fieldwork was limited to interviews with key personnel of the Association and the external auditing firm; observations and inspection of supporting documentation provided by Association management, the Pennsylvania Gaming Control Board, and the Office of the Budget; and limited testing. Testing was limited to Pennsylvania Racehorse Development Funds and did not extend to other sources of income, or disbursements, of the Association.

A site visit to the Association's office in Bensalem, Pennsylvania occurred.

### *Audit Methodology*

This performance audit incorporates a combination of understanding of the process and internal controls of the Association's accounting for Pennsylvania Racehorse Development Funds, as well as limited testing.

Onsite fieldwork occurred October 1, 2012 through October 3, 2012, at the Association's office in Bensalem, Pennsylvania. Planning procedures and communication preceded these dates, and additional follow-up and reporting occurred in M&A's office subsequent to the onsite fieldwork dates. Our report was issued December 26, 2012.

Procedures for the Quality Control Review of the Financial Audit included, and were limited to, the following:

- Inquiry of the external audit firm and Association management.
- Review of the audited financial statements prepared by the external auditor (Appendix 3).
- Review and inspection of selected audit workpapers provided by the external auditor.

Procedures related to Pennsylvania Race Horse Development Funds included, and were limited to, the following:

- Reconciliation of Pennsylvania Race Horse Development Funds received by the Association to the amounts distributed by the Pennsylvania Department of Revenue.
- Limited testing of a selected sample of disbursements for:
  - Purses.
  - Health & welfare expenses.
  - Administrative expenses.
- Review of provided health & welfare and pension contracts and eligibility and enrollment information.
- Review of provided membership data.
- Recalculation of the allocation of Pennsylvania Race Horse Development Funds.

The testing included selecting judgmental samples, examining documentation, and re-performing calculations, as deemed appropriate.

## **AUDIT RESULTS, FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

See table at Appendix 1

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### COMPLIANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### SUMMARY OF THE VIEWS OF MANAGEMENT

In italics are the views of responsible officials as submitted by Mr. Patrick Doran, Attorney for the Association. Included for clarification are the audit objectives.

#### ***Objective 5***

To examine and report upon the amount of purse funds distributed from the Association's Pennsylvania Racehorse Development Funds in accordance with PA Code 436a and 436b, primarily by performing limited testing of purse distributions and reconciling purse transactions to the statement of cash receipts and disbursements, changes in escrow balances, and the Association's general ledger and audited financial statements.

#### ***Objective 7***

To determine that health & welfare plans have been administered in accordance with PA Code 436a and 436b, primarily through correspondence with the Pennsylvania Gaming Control Board, review of executed contracts, limited testing of health & welfare transactions, and limited recalculations of administrative expenses.

#### ***Management's Complete Response***

*The Association is disappointed that the detailed information it supplied to the auditors to specifically address certain of the findings and recommendations contained in this report – particularly those which suggest that the Association failed to comply with its legal obligations – appear to have been rejected by the auditors without any explanation. The same information which was previously provided to the auditors appears below, with respect to each of these findings and recommendations. In sum, the Association strongly disagrees that it has violated any applicable legal requirement in Act 71 or otherwise.*

#### **Finding and Recommendation Relating to "Contractual Agreement Funds" (Objective 5)**

*The Association disagrees with the "minor" finding with respect to "Contractual Agreement Funds" and the recommendation that appropriate authorities review purported "inconsistencies" with respect to those funds. Pennsylvania Race Horse Development Funds are not being used "for purposes other than purses" and there is no inconsistency with respect to any legal requirements.*

*Act 71 reflects a legislative endorsement of the horsemen's collective, voluntary, and private decision to fund their designated statutory representative -- the Association -- through a percentage of the purses they win. This decision has been negotiated with and agreed to by the licensees, as embodied in the current Live Racing Agreement, just as it has been historically, long before Act 71. This is precisely why Act 71 states that*

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*“Licensees shall combine these [PRDF] funds with revenues from existing purse agreements to fund purses for live races consistent with those agreements with the advice and consent of the horsemen.” 4 Pa.C.S.A. § 1406(a)(1)(i).*

*There is no contrary authority in Act 71 or the applicable regulations. 4 Pa.C.S.A. § 1406(c) does not provide otherwise. This general provision, which states that “[f]unds acquired from other sources shall be kept separate and apart from funds obtained under this part,” has no bearing on the language of 4 Pa.C.S.A. § 1406(a)(1)(i) which expressly authorizes the combination by licensees of Pennsylvania Race Horse Development Funds with revenues “from existing purse agreements” which are to be used “to fund purses for live races consistent with those agreements with the advice and consent of the horsemen.” This is exactly what occurs -- the horsemen have given their advice and consent that, from their purses, a percentage goes to fund their statutory representative. Thus, Pennsylvania Race Horse Development Funds are in fact used exclusively for purses, which are then distributed consistent with the horsemen's private decisions and contractual arrangements.*

*The only “inconsistency” relates to the fact that the various horsemen's organizations in the Commonwealth have made different decisions and have different contractual arrangements. This has nothing to do with the requirements of Act 71.*

*Moreover, it bears note that there was no reference to this issue whatsoever in Pennsylvania Race Horse Development Funds audit for the year ended December 31, 2010, conducted pursuant to the Fiscal Code. This same issue was reviewed and correctly determined to be fully consistent with Act 71.*

#### Finding and Recommendation Relating to Health and Welfare Plans (Objective 7)

*The Association disagrees with the finding that “some health & welfare plans were not submitted to the [PGCB] at least ninety (90) days prior to their effective date....” While the Association's Board of Directors necessarily approved all plans prior to submission to the PGCB, those plans did not become effective prior to PGCB approval. In fact, PGCB fully approved those plans and, most important, there was no funding prior to PGCB approval. Accordingly, there is no need for any recommendation, as management fully complies.*

#### Finding and Recommendation Relating to Payment of Legal Fees. (Objective 7)

*The Association disagrees with the finding that it is not in compliance due to the fact that “legal fees were paid to a legal firm that employs the president of the board of directors.” Salvatore M. DeBunda, Esquire, is currently the President of the Association, not the “president of the board of directors.” As the Association's President, Mr. DeBunda has no vote on the Association's Board of Directors. Moreover, in his prior tenure as an Association Board member, Mr. DeBunda abstained from all matters with respect to the payment of invoices for professional services rendered by Archer & Greiner, P.C., in which Mr. DeBunda is a partner. Moreover, Archer & Greiner, P.C., and its predecessor, Pelino & Lentz, P.C. (which merged with Archer & Greiner, P.C., on January 1, 2009), has represented the Association since 1995, long preceding Act 71, and has a breadth of experience dealing with equine law matters. There is no conflict of interest, and no basis for any contrary finding or recommendation.*

#### Inclusion of Information Relating to State Residences of PTHA Members and Plan Beneficiaries.

*The inclusion of the “Membership by State” information for the Association's members is not relevant to Act 71 and is misleading. Entry in one race qualifies a horseman as a “member” of the Association but does not*

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*render the horseman eligible for health and welfare benefits. The eligibility requirements for the Association's health and welfare plans ensure that only horsemen with an active and substantial business presence in Pennsylvania receive benefits.*

*This is also true with respect to the "Health Plan - Participants by State" information. The inclusion of this information is not explained and has no relevance whatsoever to Act 71 or any legal requirements. The fact that certain members of the Association who receive health and welfare benefits funded by Pennsylvania Race Horse Development Funds distributions may happen to legally reside outside of Pennsylvania is irrelevant to the significant economic activity in Pennsylvania generated by these business people. Again, the Association's eligibility criteria require significant activities in Pennsylvania. These trainers' businesses have employees and consume goods and services like other Pennsylvania businesses. To the extent that the trainers (or their employees) who receive health and welfare benefits are analogized to persons who receive such benefits in other industries, they are no different than the thousands of persons who are employed by private businesses or public agencies located in Pennsylvania but who happen to live in a neighboring state such as New Jersey, New York, Delaware, Maryland, West Virginia, or Ohio. Where the horse resides, rather than the owner or trainer, is important. The horse truly is the "jobs creator" for the Commonwealth, and horsemen who receive benefits are eligible to do so because their horses are creating those jobs in Pennsylvania.*

#### **NATURE OF OMITTED CONFIDENTIAL OR SENSITIVE INFORMATION**

Certain details relative to the operations of the Association, the accounting for Pennsylvania Racehorse Development Funds, Association infrastructure, and other information have been omitted from this report. These details are located in the narratives and workpapers that support the information in this report.

We provided a separate letter to the Office of the Budget and management of the Association, which notes our consideration of matters that fall outside of the scope of the stated objectives of this report. The items in that letter do not impact the conclusions reached, or recommendations made.

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**APPENDICES**

**Pennsylvania Horsemen's Association Audits**  
**Pennsylvania Thoroughbred Horsemen's Association, Inc. - Year ended December 31, 2011**  
**Appendix 1 - Audit Results**

OBJECTIVE	FINDINGS	CONCLUSION	RECOMMENDATIONS	MANAGEMENT'S RESPONSE
<b>QUALITY CONTROL REVIEW OF THE EXTERNAL FINANCIAL STATEMENTS</b>				
1: To perform a quality control review of the audit work performed by the external auditor for each Horsemen Association, primarily through review of provided audit workpapers and inquiry of the external auditor.	None	The audit work performed by the Association's external auditor was performed in accordance with auditing standards generally accepted in the United States of America.	None	
2: To perform a quality control review of the Association's audited financial statements, including financial statement disclosures, primarily through review of provided audit workpapers, financial statements, and inquiry of the external auditor.	None	The financial statements of the Association are prepared in accordance with accounting principles generally accepted in the United States of America and appear to include all material disclosures.	None	
3: To determine that sufficient audit attention was given to the accounting and reporting of the Association's share of Pennsylvania Racehorse Development Funds, primarily through review of external auditor workpapers and inquiry of the external auditor.	None	Sufficient audit attention was given to the accounting and reporting of the Association's share of Pennsylvania Racehorse Development Funds.	None	

**Pennsylvania Horsemen's Association Audits  
 Pennsylvania Thoroughbred Horsemen's Association, Inc. - Year ended December 31, 2011  
 Appendix 1 - Audit Results**

OBJECTIVE	FINDINGS	CONCLUSION	RECOMMENDATIONS	MANAGEMENT'S RESPONSE
<b>RECONCILIATION OF RACE HORSE DEVELOPMENT FUNDS</b>				
1: To verify the amount of Pennsylvania Racehorse Development Funds disbursed to each relevant category 1 licensee, primarily through reconciliation and review of the quarterly reports filed with the Pennsylvania Gaming Control Board and information obtained from the Pennsylvania Department of Revenue.	None	The amount of Pennsylvania Racehorse Development Funds disbursed to the relevant category 1 licensee agrees to the amount received by each category 1 licensee per the category 1 licensee's quarterly reports without exception.	None	
2: To verify the amount of Pennsylvania Racehorse Development Funds disbursed to each Association, primarily through reconciliation and review of the quarterly reports filed with the Pennsylvania Gaming Control Board by each category 1 licensee and the Association.	None	The amount of Pennsylvania Racehorse Development Funds disbursed to the Association was verified without exception.	None	
3: To verify the amount of Pennsylvania Racehorse Development Funds received as reported on the Association's general ledger, primarily through reconciliation and review of the quarterly reports filed with the Pennsylvania Gaming Control Board and the Association's internal accounting records and audited financial statements.	None	The amount of Pennsylvania Racehorse Development Funds reported on the Association's general ledger was verified without exception.	None	

**Pennsylvania Horsemen's Association Audits  
 Pennsylvania Thoroughbred Horsemen's Association, Inc. - Year ended December 31, 2011  
 Appendix 1 - Audit Results**

OBJECTIVE	FINDINGS	CONCLUSION	RECOMMENDATIONS	MANAGEMENT'S RESPONSE
<p>4: To verify the completeness and accuracy of the Association's activity within the escrow accounts used to account for the Pennsylvania Racehorse Development Funds, primarily through reconciling the statement of cash receipts and disbursement and changes in escrow balances to the Association's general ledger and audited financial statements.</p>	<p>None</p>	<p>The Association's activity within the escrow accounts used to account for the Pennsylvania Racehorse Development Funds was verified as complete and accurate.</p>	<p>None</p>	
<p>5: To examine and report upon the amount of purse funds distributed from the Association's Pennsylvania Racehorse Development Funds in accordance with PA Code 436a and 436b., primarily by performing limited testing of purse distributions and reconciling purse transactions to the statement of cash receipts and disbursements, changes in escrow balances, and the Association's general ledger and audited financial statements.</p>	<p>None</p>	<p>Purse fund distributions appear accurate, complete, and have been made in accordance with PA Code 436a and 436b. Relative to the portion of Pennsylvania Race Horse Development Funds designed for purse supplements according to PA Code § 436b.5(a)(2) and 4 PA.C.S.A. § 1406(a)(1)(i), the audit noted an inconsistency between the four horsemen's associations in the processes used for distribution of Pennsylvania Race Horse Development Funds purse monies. This inconsistency is the result of a Live Racing Agreement. The Live Racing Agreement allocates 3% of the Pennsylvania Racehorse Development Funds purse monies to the Association for general uses (known as membership dues). Disbursements from contractual agreement funds are for purposes other than purses. This is a result of the combination of race horse development funds as directed in 4 PA.C.S.A. § 1406(a)(1)(i). This is not consistent with 1406(c) which requires the funds to be kept separate.</p>	<p>It is recommended that the inconsistencies be reviewed by the appropriate authority of the Commonwealth of Pennsylvania.</p>	<p>Reference the Summary of the Views of Responsible Officials, page 11, for the response.</p>

**Pennsylvania Horsemen's Association Audits  
 Pennsylvania Thoroughbred Horsemen's Association, Inc. - Year ended December 31, 2011  
 Appendix 1 - Audit Results**

OBJECTIVE	FINDINGS	CONCLUSION	RECOMMENDATIONS	MANAGEMENT'S RESPONSE
6: To examine and report upon the amount of health & welfare funds distributed from the Association's Pennsylvania Racehorse Development Funds in accordance with PA Code 436a and 436b, primarily by limited testing of health & welfare distributions and reconciling health & welfare fund transactions to the statement of cash receipts and disbursements, changes in escrow balances and the Association's general ledger and audited financial statements.	None	Based upon information received, health & welfare fund distributions appear accurate, complete, and have been made in accordance with PA Code 436a and 436b.	None	
7: To determine that health & welfare plans have been administered in accordance with PA Code 436a and 436b., primarily through correspondence with the PA Gaming Control Board, review of executed contracts, limited testing of health & welfare transactions, and limited recalculations of administrative expenses.	<p>1. The Trainers' Retirement Contract and Employee Retirement Contract were not submitted to the PA Gaming Control Board at least 90 days prior to the proposed effective date.</p> <p>2. The Association's Employee Retirement Contract and Trainer Retirement Contract were both adopted March 2010 (with an effective date of January 1, 2009), while the PA Gaming Control Board did not approve the Contracts until October 2010.</p> <p>3. The Association paid legal fees using Pennsylvania Race Horse Development Funds to a legal firm that employs the president of the board of directors of the Association. This presents the appearance of a conflict of interest</p>	Based upon the findings noted, health & welfare plans do not appear to be administered in accordance with Code 436a and 436b.	<p>1. Management should ensure they have proper procedures in place in regards to submitting all health and pension contracts to the PA Gaming Control Board at least 90 days prior to the proposed effective date.</p> <p>2. Management should ensure they have proper procedures in place in regards to obtaining approval from the PA Gaming Control Board prior to the effective date of any health or pension benefit plans.</p> <p>3. Management should take measures to ensure that this appearance of a conflict of interest does not violate PA Code 436b.3(b).</p>	Reference the Summary of the Views of Responsible Officials, starting on page 12, for the response.

**Pennsylvania Horsemen's Association Audits**  
**Pennsylvania Thoroughbred Horsemen's Association, Inc. - Year ended December 31, 2011**  
**Appendix 1 - Audit Results**

OBJECTIVE	FINDINGS	CONCLUSION	RECOMMENDATIONS	MANAGEMENT'S RESPONSE
8: To determine that the recipients of health & welfare benefits are eligible members of each Association, primarily through comparison of participants in the health & welfare plans to membership listings.	None	Based upon information received, individuals receiving health & welfare benefits were members of the Association.	None	

PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.  
 STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS AND CHANGES IN ESCROW BALANCES - Appendix 2  
 FOR THE PERIOD JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

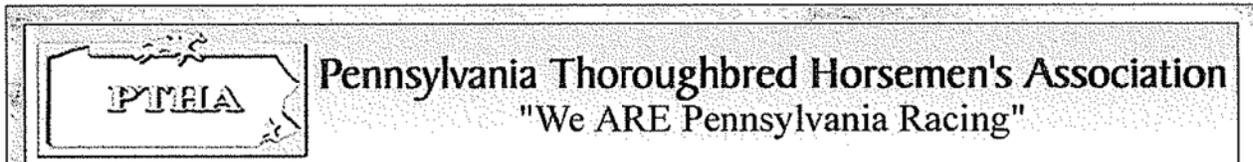
	<u>Purses</u>	<u>Benefits</u>	<u>Total</u>
Cash Receipts			
Gaming funds	44,510,152	2,821,868	47,332,020
Interest Income	59,555	18,380	77,935
Total Cash Receipts	<u>44,569,707</u>	<u>2,840,248</u>	<u>47,409,955</u>
Cash Disbursements			
Purse payments	44,643,889	-	44,643,889
Payments to PTHA	1,335,305	-	1,335,305
Payments for health & welfare benefits	-	2,412,873	2,412,372
Administrative Expenses	-	168,892	168,892
Total Cash Disbursements	<u>45,979,194</u>	<u>2,581,263</u>	<u>48,560,457</u>
Changes in Escrow Balances	(1,409,487)	258,985	(1,150,502)
Escrow balance at January 1, 2011	<u>4,318,978</u>	<u>2,038,052</u>	<u>6,357,030</u>
Escrow balance at December 31, 2011	<u><u>2,909,492</u></u>	<u><u>2,297,037</u></u>	<u><u>5,206,028</u></u>
	<u>Purses</u>	<u>Benefits</u>	<u>Total</u>
Reconciliation to Audited Financial Statements:			
Purse payments, as reported above	45,979,194	-	45,979,194
Payments to PTHA, as reported above	<u>1,335,305</u>	-	<u>1,335,305</u>
Purse payments, as reported on the Audited Financial Statements	<u><u>45,979,194</u></u>	<u><u>-</u></u>	<u><u>45,979,194</u></u>
Administrative expenses, as reported on the Audited Financial Statements:			
Pension expenses	-	7,575	7,575
Professional fees	-	160,607	160,607
Bank charges	<u>-</u>	<u>710</u>	<u>710</u>
Administrative expenses, as reported above	<u><u>-</u></u>	<u><u>168,892</u></u>	<u><u>168,892</u></u>

PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.  
ADMINISTRATIVE EXPENSES  
FOR THE PERIOD JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Vendor/Service Provider	Date	Amount	Description
ATR, Inc.	2/28/2011	3,000.00	Pension Expense
ATR, Inc.	2/28/2011	4,000.00	Pension Expense
ATR, Inc.	12/13/2011	200.00	Pension Expense
ATR, Inc.	12/30/2011	375.00	Pension Expense
Bank Service Charges	Total for 2011	709.81	Bank Service Charges
Colucci, Michael A., CPA, LLC	1/31/2011	3,875.00	Accounting Fees
Colucci, Michael A., CPA, LLC	12/31/2011	32,212.00	Accounting Fees
Combined Slattery and Herbein accruals	1/1/2011	2,033.33	Audit Fees
Combined Slattery and Herbein accruals	2/1/2011	2,033.33	Audit Fees
Combined Slattery and Herbein accruals	3/1/2011	2,033.33	Audit Fees
Combined Slattery and Herbein accruals	4/2/2011	2,033.33	Audit Fees
Combined Slattery and Herbein accruals	5/1/2011	2,083.33	Audit Fees
Combined Slattery and Herbein accruals	6/1/2011	2,083.33	Audit Fees
Combined Slattery and Herbein accruals	7/1/2011	2,033.33	Audit Fees
Combined Slattery and Herbein accruals	8/1/2011	2,033.33	Audit Fees
Combined Slattery and Herbein accruals	9/1/2011	2,033.33	Audit Fees
Combined Slattery and Herbein accruals	10/1/2011	2,033.33	Audit Fees
Combined Slattery and Herbein accruals	10/12/2011	1,666.67	Audit Fees
Combined Slattery and Herbein accruals	11/1/2011	2,033.33	Audit Fees
Slattery, Frank H. LLC	11/5/2011	1,950.00	Audit Fees
Combined Slattery and Herbein accruals	11/12/2011	1,666.67	Audit Fees
Combined Slattery and Herbein accruals	12/1/2011	2,033.33	Audit Fees
Combined Slattery and Herbein accruals	12/12/2011	1,666.67	Audit Fees
Herbein + Company, Inc.	12/28/2011	1,875.00	Audit Fees
Simon, Edward G.	2/5/2011	4,750.00	Consultant Fees
Simon, Edward G.	2/28/2011	4,850.00	Consultant Fees
Simon, Edward G.	3/31/2011	3,850.00	Consultant Fees
Simon, Edward G.	4/30/2011	3,800.00	Consultant Fees
Simon, Edward G.	5/31/2011	2,800.00	Consultant Fees
Simon, Edward G.	6/30/2011	3,300.00	Consultant Fees
Simon, Edward G.	7/31/2011	4,550.00	Consultant Fees
Simon, Edward G.	9/1/2011	3,300.00	Consultant Fees
Simon, Edward G.	10/1/2011	4,200.00	Consultant Fees
Simon, Edward G.	11/1/2011	3,850.00	Consultant Fees
Simon, Edward G.	12/3/2011	3,200.00	Consultant Fees
Simon, Edward G.	12/31/2011	4,800.00	Consultant Fees
Archer & Greiner	1/31/2011	1,615.00	Legal Fees
Archer & Greiner	2/28/2011	8,022.40	Legal Fees
Archer & Greiner	3/31/2011	2,705.07	Legal Fees
Archer & Greiner	4/30/2011	783.00	Legal Fees
Archer & Greiner	5/31/2011	1,839.20	Legal Fees
Archer & Greiner	7/1/2011	3,048.00	Legal Fees
Archer & Greiner	7/31/2011	5,078.00	Legal Fees
Archer & Greiner	8/31/2011	1,000.00	Legal Fees
Archer & Greiner	10/1/2011	227.50	Legal Fees
Archer & Greiner	11/9/2011	478.50	Legal Fees
Archer & Greiner	12/8/2011	6,340.80	Legal Fees

PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.  
 ADMINISTRATIVE EXPENSES  
 FOR THE PERIOD JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

<u>Vendor/Service Provider</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
Archer & Greiner	12/31/2011	12,791.30	Legal Fees
Citizens Bank	11/30/2011	16.00	Miscellaneous Expense
Administrative Expenses at December 31, 2011		<u>168,891.55</u>	



***PENNSYLVANIA RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.***

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2011 and 2010**

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**HERBEIN+COMPANY, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

Members of PKF North America, Pennsylvania Institute of CPAs,  
American Institute of Certified Public Accountants Private Companies Practice Section  
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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Pennsylvania Race Horse Development Fund Division  
Pennsylvania Thoroughbred Horsemen's Association, Inc.**

We have audited the accompanying statements of financial position of the Pennsylvania Race Horse Development Fund Division of the Pennsylvania Thoroughbred Horsemen's Association, Inc. (nonprofit organization) as of December 31, 2011 and 2010, and the related statements of changes in agency funds, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pennsylvania Race Horse Development Fund Division of the Pennsylvania Thoroughbred Horsemen's Association, Inc. as of December 31, 2011 and 2010, and the changes in its agency funds and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
March 28, 2012**

HERBEIN+COMPANY, INC.

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GREENSBURG

PENNSYLVANIA RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2011

ASSETS, Restricted *	Overnight Purses (Restricted)	Stake Purses (Restricted)	Contractual Arrangement (Restricted)	Health & Pension Fund (Restricted)	Total (Restricted)
Cash and cash equivalents	\$ 762,317	\$ 1,308,442	\$ -	\$ 2,672,035	\$ 4,742,794
Accounts receivable	1,868,908	145,363	62,800	166,792	2,243,863
Prepaid expenses	-	-	-	-	-
<b>TOTAL ASSETS, Restricted *</b>	<b>\$ 2,631,225</b>	<b>\$ 1,453,805</b>	<b>\$ 62,800</b>	<b>\$ 2,838,827</b>	<b>\$ 6,986,657</b>
<b>LIABILITIES, Restricted *</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 18,185	\$ 18,185
Accrued expenses:					
Purse payouts	901,266	274,272	62,800	-	1,238,338
Pension contributions	-	-	-	462,459	462,459
Other accrued expenses	-	-	-	61,647	61,647
Total accrued expenses	901,266	274,272	62,800	524,106	1,762,444
Agency funds	1,729,959	1,179,533	-	2,296,536	5,206,028
<b>TOTAL LIABILITIES, Restricted *</b>	<b>\$ 2,631,225</b>	<b>\$ 1,453,805</b>	<b>\$ 62,800</b>	<b>\$ 2,838,827</b>	<b>\$ 6,986,657</b>

\* In accordance with PA C.S. 1406 (a) all funds received from the Pennsylvania Race Horse Development Fund and included in assets and liabilities are restricted to the purposes and allocations as defined in the Statute, as referenced.

See accompanying notes.

PENNSYLVANIA RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2010

ASSETS, Restricted *	Overnight Purses (Restricted)	Stake Purses (Restricted)	Contractual Arrangement (Restricted)	Health & Pension Fund (Restricted)	Total (Restricted)
Cash and cash equivalents	\$ 2,440,282	\$ 3,847,070	\$ -	\$ 2,260,203	\$ 8,547,555
Short-term investments	1,068,477	1,068,476	-	-	2,136,953
Accounts receivable	1,427,173	111,002	48,075	118,479	1,704,729
Prepaid expenses	-	-	-	114,577	114,577
<b>TOTAL ASSETS, Restricted *</b>	<b>\$ 4,935,932</b>	<b>\$ 5,026,548</b>	<b>\$ 48,075</b>	<b>\$ 2,493,259</b>	<b>\$ 12,503,814</b>
<b>LIABILITIES, Restricted *</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 12,099	\$ 12,099
Accrued expenses:					
Purse payouts	2,567,424	3,076,078	48,075	-	5,691,577
Pension contributions	-	-	-	425,187	425,187
Other accrued expenses	-	-	-	17,921	17,921
Total accrued expenses	2,567,424	3,076,078	48,075	443,108	6,134,685
Agency funds	2,368,508	1,950,470	-	2,038,052	6,357,030
<b>TOTAL LIABILITIES, Restricted *</b>	<b>\$ 4,935,932</b>	<b>\$ 5,026,548</b>	<b>\$ 48,075</b>	<b>\$ 2,493,259</b>	<b>\$ 12,503,814</b>

\* In accordance with PA C.S. 1406 (a) all funds received from the Pennsylvania Race Horse Development Fund and included in assets and liabilities are restricted to the purposes and allocations as defined in the Statute, as referenced.

PENNSYLVANIA RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

STATEMENTS OF CHANGES IN AGENCY FUNDS, RESTRICTED \*

Year Ended December 31, 2011

	Overnight Purses	Stake Purses	Contractual Arrangement	Health & Pension Fund	Total
<b>FUNDS RECEIVED AND ACCRUED:</b>					
Slot machine gaming revenue allocation	\$ 40,059,137	\$ 3,115,711	\$ 1,335,305	\$ 2,821,869	\$ 47,332,022
Interest earnings	33,710	25,845	-	18,380	77,935
<b>TOTAL FUNDS RECEIVED AND ACCRUED</b>	<b>40,092,847</b>	<b>3,141,556</b>	<b>1,335,305</b>	<b>2,840,249</b>	<b>47,409,957</b>
<b>AGENCY FUNDS ALLOCATED FOR LEGISLATED PURPOSES:</b>					
<b>Purse Payouts</b>	40,731,396	3,912,493	1,335,305	-	45,979,194
<b>Health &amp; Pension Fund Costs</b>					
Payments to Philadelphia Park Jockey Association	-	-	-	250,000	250,000
Insurance and pension expenses	-	-	-	80,931	80,931
Dental insurance	-	-	-	2,697	2,697
Life insurance	-	-	-	1,582,561	1,582,561
Medical insurance (net of co-pay)	-	-	-	13,000	13,000
On-site nursing services	-	-	-	7,575	7,575
Pension expenses	-	-	-	462,459	462,459
Pension plan contributions	-	-	-	21,225	21,225
Vision services	-	-	-	160,607	160,607
Professional fees	-	-	-	710	710
Bank charges	-	-	-	2,581,765	2,581,765
<b>Total Health &amp; Pension Fund Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,581,765</b>	<b>2,581,765</b>
<b>TOTAL AGENCY FUNDS ALLOCATED FOR LEGISLATED PURPOSES</b>	<b>40,731,396</b>	<b>3,912,493</b>	<b>1,335,305</b>	<b>2,581,765</b>	<b>48,560,959</b>
<b>NET CHANGE IN AGENCY FUNDS</b>	<b>(638,549)</b>	<b>(770,937)</b>	<b>-</b>	<b>258,484</b>	<b>(1,151,002)</b>
<b>AGENCY FUNDS AT THE BEGINNING OF THE YEAR</b>	<b>2,368,508</b>	<b>1,950,470</b>	<b>-</b>	<b>2,038,052</b>	<b>6,357,030</b>
<b>AGENCY FUNDS AT THE END OF THE YEAR</b>	<b>\$ 1,729,959</b>	<b>\$ 1,179,533</b>	<b>\$ -</b>	<b>\$ 2,296,536</b>	<b>\$ 5,206,028</b>

\* In accordance with PA C.S. 1406 (a) all funds received from the Pennsylvania Race Horse Development Fund and included in assets and liabilities are restricted to the purposes and allocations as defined in the Statute, as referenced.

See accompanying notes.

PENNSYLVANIA RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

STATEMENTS OF CHANGES IN AGENCY FUNDS, RESTRICTED \*

Year Ended December 31, 2010

	Overnight Purses	Stake Purses	Contractual Arrangement	Health & Pension Fund	Total
<b>FUNDS RECEIVED AND ACCRUED:</b>					
Slot machine gaming revenue allocation	\$ 35,389,722	\$ 2,752,534	\$ 1,180,160	\$ 3,070,939	\$ 42,393,355
Interest earnings	55,301	43,961	-	27,029	126,291
<b>TOTAL FUNDS RECEIVED AND ACCRUED</b>	<b>35,445,023</b>	<b>2,796,495</b>	<b>1,180,160</b>	<b>3,097,968</b>	<b>42,519,646</b>
<b>AGENCY FUNDS ALLOCATED FOR LEGISLATED PURPOSES:</b>					
Purse Payouts	39,323,192	3,076,079	1,180,160	-	43,579,431
<b>Health &amp; Pension Fund Costs</b>					
Payments to Philadelphia Park Jockey Association	-	-	-	250,000	250,000
Insurance and pension expenses	-	-	-	-	-
Administrative fees	-	-	-	4,297	4,297
Dental insurance	-	-	-	71,892	71,892
Life insurance	-	-	-	3,160	3,160
Medical insurance (net of co-pay)	-	-	-	1,008,082	1,008,082
On-site nursing services	-	-	-	18,417	18,417
Pension expenses	-	-	-	13,188	13,188
Pension plan contributions	-	-	-	1,857,789	1,857,789
Vision services	-	-	-	25,953	25,953
Professional fees	-	-	-	173,988	173,988
Bank charges	-	-	-	458	458
<b>Total Health &amp; Pension Fund Costs</b>				<b>3,427,224</b>	<b>3,427,224</b>
<b>TOTAL AGENCY FUNDS ALLOCATED FOR LEGISLATED PURPOSES</b>	<b>39,323,192</b>	<b>3,076,079</b>	<b>1,180,160</b>	<b>3,427,224</b>	<b>47,006,655</b>
<b>NET CHANGE IN AGENCY FUNDS</b>	<b>(3,878,169)</b>	<b>(279,584)</b>	<b>-</b>	<b>(329,256)</b>	<b>(4,487,009)</b>
<b>AGENCY FUNDS AT THE BEGINNING OF THE YEAR</b>	<b>6,689,887</b>	<b>1,729,139</b>	<b>-</b>	<b>2,425,013</b>	<b>10,844,039</b>
Reclassification adjustment of agency funds	(443,210)	500,915	-	(57,705)	-
<b>AGENCY FUNDS AT THE END OF THE YEAR</b>	<b>\$ 2,368,508</b>	<b>\$ 1,950,470</b>	<b>\$ -</b>	<b>\$ 2,038,052</b>	<b>\$ 6,357,030</b>

\* In accordance with PA C.S. 1406 (a) all funds received from the Pennsylvania Race Horse Development Fund and included in assets and liabilities are restricted to the purposes and allocations as defined in the Statute, as referenced.

See accompanying notes.

PENNSYLVANIA RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from statutory allocation	\$ 46,792,890	\$ 43,017,628
Cash paid for purse payouts	(50,432,434)	(38,720,475)
Cash paid for health and pension funds	(2,380,105)	(3,005,604)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(6,019,649)</b>	<b>1,291,549</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net changes of short-term investments	2,136,953	329,636
Interest earnings	77,935	126,291
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>2,214,888</b>	<b>455,927</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,804,761)</b>	<b>1,747,476</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>8,547,555</b>	<b>6,800,079</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 4,742,794</b>	<b>\$ 8,547,555</b>

**Reconciliation of Change in Agency Funds to Net Cash Provided (Used) by Operating Activities:**

Net change in agency funds	\$ (1,151,002)	\$ (4,487,009)
Adjustments to reconcile net change in agency funds to net cash provided by operating activities:		
Interest earnings	(77,935)	(126,291)
Changes in assets and liabilities:		
Accounts receivable	(539,134)	624,271
Prepaid expenses	114,577	(19,846)
Accounts payable	6,086	12,099
Accrued expenses	(4,372,241)	5,288,325
Total Adjustments	(4,868,647)	5,778,558
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (6,019,649)</b>	<b>\$ 1,291,549</b>

**PENNSYLVANIA RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

**Nature of Activities**

Pennsylvania Thoroughbred Horsemen's Association, Inc. ("PTHA") is a nonprofit corporation organized under the laws of the commonwealth of Pennsylvania. The Organization's mission is to protect and provide for the Philadelphia Park horsemen through the guarantee of live racing, increased purses, and health care for its families.

The Pennsylvania Race Horse Development Fund Division ("PRDF Division") of the Pennsylvania Thoroughbred Horsemen's Association, Inc. was formed in December 2006 pursuant to Section 1405 and 1406 of the Pennsylvania Consolidated Statutes Title 4 Amusements (the "Statute"). Section 1405 of the Statutes provides for the establishment of a Pennsylvania Race Horse Development 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 Fund. In accordance with Section 1406 of the Statute, the State Treasury shall make distributions from the Pennsylvania Race Horse Development Fund to each active and operating Category 1 licensee conducting live racing in the manner outlined in Section 1406 of the Statutes. It is the responsibility of the PTHA - PRDF Division to distribute the funds received by Philadelphia Park Racetrack's Horsemen's Association (PTHA) in accordance with the Statute.

Pennsylvania Race Horse Development Fund Division serves as the custodian of funds to be used by the beneficiary of the funds received under Section 1405 and 1406 of the Pennsylvania Consolidated Statutes Title 4 Amusements (the "Statute"), accordingly a statement of changes in agency funds are presented in these financial statements.

These financial statements represent the Statement of Financial Position, Statement of Changes in Agency Funds, and Statement of Cash Flows of the Pennsylvania Race Horse Development Fund Division of the Pennsylvania Thoroughbred Horsemen's Association, Inc. The Pennsylvania Race Horse Development Fund Division is also included in the Pennsylvania Thoroughbred Horsemen's Association, Inc. consolidated financial statements that encompass the activities of Pennsylvania Thoroughbred Horsemen's Association, Inc.; the Pennsylvania Thoroughbred Horsemen's Benefit Trust; Horseman's Purchasing Association; and Turning For Home, Inc.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of Accounting**

The Organization uses the accrual basis of accounting.

**PENNSYLVANIA RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
CONTINUED**

---

**Tax Exempt Status**

The PTHA is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. In accordance with generally accepted accounting principles, the Organization 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 financial statements.

**Financial Statement Presentation**

The PRDF (the "Organization") is required to report information regarding its financial position and statement of changes in agency funds as mandated by Section 1406 of the Statute.

**Accounts Receivable**

Accounts receivable consist of Pennsylvania Race Horse Development Fund allocations for daily assessments that are due to the PTHA - PRDF Division. The Organization uses the allowance method to determine uncollectible allocations. Payments of the assessment are statutorily required and are expected to be collected in full. As of December 31, 2011 and 2010, management is not aware of any significant issues requiring it to reserve for potential loss from nonpayment of the obligation.

**Cash, Cash Equivalents, and Short-term Investments**

At year-end and at various times during the year, the Organization had cash balances in excess of the federally insured limit in deposits and savings accounts at several local banks. Note 5 discloses irrevocable standby letters of credit provided by financial institutions for funds in excess of federally insured limits. For purposes of the statement of cash flows, the Organization considers all short-term investments with a maturity of six months or less to be cash equivalents. Cash and cash equivalents consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Cash, including interest bearing accounts	\$ 4,042,000	\$ 7,484,443
Cash equivalents, certificates of deposits maturing within six months of year-end	<u>700,794</u>	<u>1,063,112</u>
	<u>\$ 4,742,794</u>	<u>\$ 8,547,555</u>

Short-term investments consist of certificates of deposit that mature after six months from year-end. No short-term investments were held at December 31, 2011. Short-term investments were \$2,136,953 at December 31, 2010.

The carrying amounts for cash and cash equivalents and short-term investments reported in the balance sheet approximate those assets' fair value.

**PENNSYLVANIA RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
CONTINUED**

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**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 28, 2012, the date the financial statements were available to be issued.

**Reclassification**

Certain amounts have been reclassified in the prior year financial statements to conform to their presentation at December 31, 2011. These adjustments had no effect on the net change in agency funds.

**NOTE 2 - ACCOUNTS RECEIVABLE**

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At December 31, 2011 and 2010, the PTHA - PRDF Division's accounts receivable was \$2,243,863 and \$1,704,729, respectively. These balances represent the gross terminal revenue allocation ("GTR") due from the Pennsylvania Race Horse Development Fund for PTHA - PRDF Division's share of GTR generated at Category I and Category II casinos throughout Pennsylvania and amounts due from participants for health and pension co-pays. The individual amounts due from these organizations as of December 31 are as follows:

	<u>2011</u>	<u>2010</u>
Pennsylvania Race Horse Development Fund	<b>\$ 2,243,863</b>	\$ 1,697,139
Co-pay from participants	<u>-</u>	<u>7,590</u>
	<b><u>\$ 2,243,863</u></b>	<b><u>\$ 1,704,729</u></b>

**NOTE 3 - LIVE RACING AGREEMENT**

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Pennsylvania Thoroughbred Horsemen's Association, Inc. entered into a live racing agreement with Keystone Turf Club, Inc. and Bensalem Racing Association, Inc. (trading as Philadelphia Park) effective September 4, 2004. The agreement is set to expire on January 1, 2016. As outlined in the agreement, purse monies received shall be allocated as follows:

- Ninety percent (90%) 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 Pennsylvania Thoroughbred Horsemen's Association, Inc. (PTHA).

**PENNSYLVANIA RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 4 - RELATED PARTY TRANSACTIONS**

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Under the terms of the Live Racing Agreement referred to in Note 3, the PRDF was obligated to pay three percent of the overnight purses to the PTHA, Inc. Amounts paid to PTHA, Inc. for the years ended December 31, 2011 and 2010 were \$1,335,305 and \$1,180,160, respectively.

One of the directors of Pennsylvania Thoroughbred Horsemen's Association, Inc., PTHA - PRDF Division's parent organization, is a partner in the law firm representing the PTHA - PRDF Division. Legal expenses incurred by the Organization for the years ended December 31, 2011 and 2010 were \$43,929 and \$70,188, respectively, which is included in professional fees on the statement of changes in agency funds.

**NOTE 5 - IRREVOCABLE STANDBY LETTERS OF CREDIT**

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Throughout 2011, the Organization had an irrevocable standby letter of credit from a financial institution in the amount of \$7,500,000 to secure funds in excess of federally insured amounts. The most recent letter of credit expires on April 3, 2012.

**NOTE 6 - RESTRICTED RACE HORSE DEVELOPMENT FUND - AGENCY FUNDS**

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As discussed in Note 1, the Organization's only funding source except for interest earned is the daily assessment each active and operating gaming entity pays into the Pennsylvania Race Horse Development Fund, subject to the daily assessment rate cap. The daily assessment rate as of December 31, 2011 was 12 percent 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 1 licensees conducting live racing pursuant to Section 1406 of the Statute.

**PENNSYLVANIA RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 6 - RESTRICTED RACE HORSE DEVELOPMENT FUND - AGENCY FUNDS - CONTINUED**

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

Effective January 1, 2010 through June 30, 2010 (fiscal year-end for the Pennsylvania Race Horse Development Fund), thirty-four percent (34%) of the money in the Pennsylvania Race Horse Development Fund shall be transferred to the general fund of the commonwealth of Pennsylvania. The remaining sixty-six percent (66%) will be allocated as follows:

The greater of four percent (4%) or \$275,000 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 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 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:
  - Eighty-three and one-third percent (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. Refer to Note 3 for purse allocations.
  - Sixteen and two-thirds percent (16 2/3%) shall be deposited on a weekly basis into the Pennsylvania Breeding Fund (not affiliated with the PTHA or PRDF Division).

For the Pennsylvania Race Horse Development Fund's fiscal years 2010-2011 through 2012-2013, seventeen percent (17%) of the money in the Pennsylvania Race Horse Development Fund shall be transferred to the general fund of the commonwealth of Pennsylvania. The remaining eighty-three percent (83%) will be allocated as follows:

- The greater of four percent (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 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.

**PENNSYLVANIA RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 6 - RESTRICTED RACE HORSE DEVELOPMENT FUND - AGENCY FUNDS - CONTINUED**

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- The remaining amount will be allocated as follows:
  - Eighty-three and one-third percent (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. Refer to Note 3 for purse allocations.
  - Sixteen and two-thirds percent (16 2/3%) shall be deposited on a weekly basis into the Pennsylvania Breeding Fund (not affiliated with the PTHA or PRDF Division).

The Organization receives and is responsible to distribute funds relating to the health and pension allocation and the purse (83 1/3%) allocation. The Pennsylvania Horse Breeders Association is responsible for the Pennsylvania Breeding Fund (16 2/3%) allocation.

Funds received for the years ended December 31, 2011 and 2010 were used and restricted as outlined in the Statements of Changes in Agency Funds.

**NOTE 7 - PENSION PLANS**

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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 Organization on March 1, 2010.

**Trainers' 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 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 one of the three criteria is 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 RACE HORSE DEVELOPMENT FUND DIVISION  
PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 7 - PENSION PLANS - CONTINUED**

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In 2011, the Organization accrued the funding of the Plan for 2011 for trainers that met the criteria stated above for the year ended December 31, 2011, and contributions were made as follows: Trainers aged 55 and over received \$40 per eligible start; and trainers under age 55 received \$30 per eligible start. Total contributions to be made to the Plan, on behalf of the eligible participants, was \$420,980 for the year ending December 31, 2011.

For 2010, trainers were eligible to participate in the non-qualified pension plan if they met one of the following criteria: accrued twenty starts at Philadelphia Park and 65 percent of their total North American starts must have been at Philadelphia Park; made at least 150 starts at Philadelphia Park; or those trainers that had a whole barn at Philadelphia Park. In the event one of the three criteria were met, the PRDF contributed an approved dollar amount per start into each participant's account. If a trainer was age 55 years old in 2009 and participated at Philadelphia Park for many years, these trainers may have been eligible for catch-up contributions of \$1,000 for each year of eligibility. 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.

Trainers that met the above criteria during 2008 and had at least one start in 2009 were eligible for the catch-up contributions. The catch-up contribution is equal to \$1,000 per year that the trainer participated in racing at Philadelphia Park between the years 1976 and 2008. Total catch-up contributions made to the Plan on behalf of the eligible participants was \$932,000.

In 2010, the Organization funded the Plan for both 2010 and 2009 for trainers that met the criteria stated above for the years ended December 31, 2010 and 2009, and contributions were made as follows: Trainers aged 55 and over received \$40 per eligible start; and trainers under age 55 received \$30 per eligible start. Total contributions made to the Plan on behalf of the eligible participants were \$760,290, consisting of \$382,240 for 2010 and \$378,050 for 2009.

**Employees' Retirement Plan**

Eligible employees of the Pennsylvania Thoroughbred Horsemen's Association and associated companies may participate in an ERISA, non-discrimination qualified 401(k) plan. To be eligible to participate, an employee must have one year of service with the Organization and attained the age of 21. Under the Plan, the PRDF may contribute a discretionary nonelective contribution. Total contributions to the employer for the years ended December 31, 2011 and 2010 was \$41,479 and \$165,499, respectively. In 2010, the Organization funded the Plan for both 2010 and 2009. Total contributions to the Employees' Retirement Plan in 2010 consisted of \$42,967 for 2010 and \$122,532 for prior years of service.

Total contributions to pension plans, and recorded in pension plan contributions on the Statement of Changes in Agency Funds for the years ended December 31, 2011 and 2010 were \$462,459 and \$1,857,789, respectively.

**PENNSYLVANIA THOROUGHBRED HORSEMEN'S ASSOCIATION, INC. AND  
RELATED ENTITIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

Pennsylvania Thoroughbred Horsemen's Association, Inc. and Related Entities  
For The Year Ended December 31, 2011

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Frank H. Slattery & Associates, LLC  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Pennsylvania Thoroughbred Horsemen's  
Association, Inc. and related entities  
Bensalem, Pennsylvania

We have audited the accompanying consolidated statement of financial position of the Pennsylvania Thoroughbred Horsemen's Association, Inc. and its related entities as of December 31, 2011, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the common management of the consolidated entities. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Pennsylvania Thoroughbred Horsemen's Association, Inc. and its related entities as of December 31, 2011, and the consolidated changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Frank H. Slattery & Associates, LLC*

Audubon, New Jersey  
March 22, 2012

Pennsylvania Thoroughbred Horsemen's Association, Inc. and Related Entities  
Consolidated Statement of Financial Position  
December 31, 2011

	Permanently Restricted	Not Restricted	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$4,742,794	\$1,796,867	\$6,539,661
Accounts Receivable:			
Trade, less \$5,000 reserve for uncollectables		38,693	38,693
Statutory funds	2,243,863		2,243,863
Other Miscellaneous Receivables		8,596	8,596
Inventory		146,452	146,452
Due to Related Entities		95,013	95,013
Equipment loan (Note 5 )		6,802	6,802
Prepaid expenses		18,822	18,822
Total current assets	<u>6,986,657</u>	<u>2,111,245</u>	<u>9,097,902</u>
Investments in Debt Instruments		289,754	289,754
Property and Equipment:			
Cemetery lots		2,410	2,410
Automobile		41,542	41,542
Horse ambulance		73,154	73,154
Storage trailers and related equipment		86,836	86,836
Office equipment and furniture		90,000	90,000
	-	293,942	293,942
Less accumulated depreciation	-	(238,028)	(238,028)
Net property and equipment	<u>-</u>	<u>55,914</u>	<u>55,914</u>
Total Assets	<u>\$6,986,657</u>	<u>\$2,456,913</u>	<u>\$9,443,570</u>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Agency funds	\$5,206,029		\$5,206,029
Accounts payable	5,394	\$182,876	188,270
Due to Related Entities	94,485		94,485
Due for overnights and stakes payouts (Note 3)	1,175,538		1,175,538
Payroll Taxes Payable		4,719	4,719
Customer deposits		22,966	22,966
Due to Philadelphia Park		202,535	202,535
Accrued expenses:			
Healthcare costs		34,741	34,741
Employee and trainers pension funds (Note 6)	462,459	527	462,986
Other	42,752	19,972	62,724
Total current liabilities	<u>6,986,657</u>	<u>468,336</u>	<u>7,454,993</u>
Net Assets:			
Retained earnings (deficit)		(173,512)	(173,512)
Net assets		2,162,089	2,162,089
Total net assets	<u>--</u>	<u>1,947,098</u>	<u>1,988,577</u>
Total liabilities and net assets	<u>\$6,986,657</u>	<u>\$2,456,913</u>	<u>\$9,443,570</u>

See accompanying notes to consolidated financial statements

Pennsylvania Thoroughbred Horsemen's Association, Inc. and Related Entities  
Consolidated Statement of Activities  
For The Year Ended December 31, 2011

	For Profit	Not-For-Profit	Total
<b>Revenues:</b>			
Share of wagering-per Live Racing Agreement		\$1,733,606	\$1,733,606
Contributions – Turning for Home, Inc.		324,551	324,551
Net fund raising – Turning for Home, Inc.		17,159	17,159
Sale of horse supplies	\$2,475,172		2,475,172
Interest Horsemen’s funds- Philadelphia Park		12,179	12,179
Miscellaneous income		1,256	1,256
Interest & Investment income		19,550	19,550
Total revenues	2,475,172	2,108,301	4,583,473
<b>Operating expenses:</b>			
<b>Programs:</b>			
Cost of horse supplies	2,213,618		2,213,618
Backstretch social programs		139,369	139,369
Backstretch healthcare programs		175,772	175,772
Retirement of older or injured horses		228,045	228,045
Horsemen’s advocacy program		1,566,257	1,566,257
Total program expenses	2,213,618	2,109,443	4,323,061
Administrative expenses	305,084	100,057	405,141
Total operating expenses	2,518,702	2,209,500	4,728,202
Net decrease in assets		(101,199)	(101,199)
Net loss	(43,530)		(43,530)
Net assets beginning of year		2,263,288	2,263,288
Retained earnings deficiency, beginning of year	(129,982)		(129,982)
Net assets end of year		\$2,162,089	
Retained earnings (deficiency), end of year	(\$173,512)		
End of year net assets & retained deficiency			\$1,988,577

Note- there are no restricted or permanently restricted activities included in this statement.

See accompanying notes to consolidated financial statements

Pennsylvania Thoroughbred Horsemen's Association, Inc. and Related Entities  
Consolidated Statement of Cash Flows  
For The Year Ended December 31, 2011

	Restricted	Not Restricted
<b>Operating activities:</b>		
Net Loss for profit entity		(\$43,530)
Changes in net assets		(101,199)
Adjustments to reconcile change in net assets to net Cash provided (used) by operating activities:		
Depreciation and Amortization		21,772
(Increase) decrease in:		
Trade receivables		48,339
Other receivables, including statutory funds	(\$492,724)	(103,081)
Philadelphia Park		
Inventory		(3,110)
Prepaid expenses	114,577	11,389
Increase (decrease) in:		
Agency Funds	(1,151,001)	
Payroll taxes		6,102
Accounts payable	(6,704)	(50,290)
Customer deposits		4,719
Due to Philadelphia Park	(4,467,965)	140,760
Accrued healthcare costs		(29,267)
Accrued expenses	24,831	17,416
Accrued pension expense	37,272	527
Net cash provided by operating activities	(5,941,714)	79,453
<b>Investing activities:</b>		
Purchase of property and equipment		6,955
Securities Purchase		293,004
Loan payments received Philadelphia Park vendor		(10,839)
Cash used in investing activities	-	289,120
Change in net assets	(5,941,714)	(368,573)
Cash and cash equivalents, beginning of year	10,684,508	2,165,440
Cash and cash equivalents, end of year	\$4,742,794	\$1,796,867
Interest expense or income taxes paid.		None

See accompanying notes to consolidated financial statements

Pennsylvania Thoroughbred Horsemen's Association, Inc. and Related Entities  
Notes to Consolidated Financial Statements  
For The Year Ended December 31, 2011

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Pennsylvania Thoroughbred Horsemen's Association, Inc. and related entities is presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes are representations of the common management of the entities who are responsible for the integrity and objectivity of the consolidated financial statements and notes. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the consolidated financial statements.

Basis of Consolidation

The consolidated financial statements include the accounts of the Pennsylvania Thoroughbred Horsemen's Association, Inc. (PA THA), its wholly owned subsidiary, Horsemen's Purchasing Association, Inc. (HPA), the Pennsylvania Thoroughbred Horsemen's Association Benefit Trust (PA THA BT) and Turning for Home, Inc. (TFH). The PA THA and TFH are Pennsylvania non-profit corporations. The HPA is a Pennsylvania for-profit corporation subject to Federal Income tax. The PA THA BT is a Pennsylvania trust subject to Federal and Pennsylvania income taxes. The activities of a division of PA THA known as the Pennsylvania Race Horse Development Fund is shown as restricted funds since the use of the funds is dictated by legislation and regulation and cannot be comingled with any other PA THA funds. The activities of the PA THA BT are shown in the Not-For-Profit column even though the trust is subject to income taxes since the PA THA is only obligated to fund the trust with sufficient funds to cover its actual expenditures and, therefore, is basically not operated to produce a profit. The entities are governed by the same board of elected directors and officers, share the same facilities and service the same members. Management has concluded that consolidated financial statements are more appropriate and meaningful. The entities do not use fund accounting. The accrual method is used.

All significant intercompany transactions have been eliminated in consolidation.

Business Purposes

The business purposes of the entities are as follows:

PA THA represents the common business interests of horse owners, their employees and independent contractors (collectively referred to as members) with the management of Bensalem Racing Association, the owner of Philadelphia Park, and Keystone Turf Club, Inc. It also promotes thoroughbred racing and improvements in the thoroughbred racing industry in the Commonwealth of Pennsylvania.

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

Pennsylvania Thoroughbred Horsemen's Association, Inc. and Related Entities  
Notes to Consolidated Financial Statements  
For The Year Ended December 31, 2011

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Purposes (continued)

TFH arranges for the retirement of injured and elderly race horses as an alternative to euthanasia.

PA THA BT provides welfare benefits and social programs for the members of the PA THA, their eligible dependents, employees, independent contractors and beneficiaries:

Revenues

The PA THA receives monies under a contract known as the Live Racing Agreement with Keystone Turf Club, Inc. and Bensalem Racing Association, Inc. which operate as Philadelphia Park. The agreement effective September 2, 2004 and subsequently amended in October 2005 and November 2007 expires on December 31, 2018. PA THA represents and the Philadelphia Park Associations acknowledge that the PA THA is the duly authorized legal representative and bargaining agent of all horse owners and trainers who race horses at Philadelphia Park. The agreement as amended entitles the PA THA to receive a percentage of Philadelphia Park Association's receipts, fees and revenues as defined in the agreement as well as interest on the operating funds which members of the PA THA maintain with the Horsemen's Bookkeeper.

PA THA, at its discretion, allocates a portion of the monies it receives to PA THA BT to fund the operations of the Trust. Monies not spent may be returned to PA THA.

HPA revenues are derived from the sale of horse related products and supplies to the members of the PA THA.

TFH revenues are contributions from Philadelphia Park, PA THA, Pennsylvania Breeders Association, Jockeys Association at Philadelphia Park, owners and others.

The importance of an individual group member to the consolidated group is measured by the group member's total assets excluding intercompany receivables to the consolidated group's total assets excluding intercompany receivables. The totals are as follows:

PA THA AGENCY FUNDS	\$ 6,986,657 (Permanently Restricted)
PA THA	<u>\$ 1,846,694</u>
Total for PA THA	\$ 8,833,351
HPA	\$ 309,106
PA BT	\$ 56,028
TFH	\$ 255,917

Pennsylvania Thoroughbred Horsemen's Association, Inc. and Related Entities  
Notes to Consolidated Financial Statements  
For The Year Ended December 31, 2011

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of funds on deposit in checking accounts, money market funds and certificates of deposit maturing within six months from December 31, 2011.

Investments

Investments consist of debt instruments with maturities through November 2012. The purchase price of the investments includes premiums paid at purchase. The premium costs are being amortized over the number of months owned until maturity date. The investments will be held until maturity. Amortization expense of purchase premiums for 2011 was \$3,250. The maturity value of the debt instruments at December 31, 2011 is \$280,000. The fair market value of the debt instruments at December 31, 2011 was \$284,279. The unamortized book value of the debt instruments at December 31, 2011 was \$289,754.

Concentration of Credit Risk

Financial instruments subjected to credit risks are temporary cash investments, trade receivables and receivables from Racing Associations conducting thoroughbred racing at Philadelphia Park. Temporary cash investments are maintained with financial institutions in excess of the federally insured amounts. One of the institutions has issued a letter of credit in the amount of \$7.5 million to provide security for such uninsured deposits. Management does not believe this exposure as of December 31, 2011 is a significant risk.

Trade receivables are maintained at minimal amounts requiring most members to have cash on deposit or a valid credit card to affect purchases of horse supplies. Receivables from the Racing Associations are unsecured and collection is contingent on the ability of the Racing Associations to generate sufficient cash flow from operations to pay their obligations. Management is not aware of any significant issues requiring it to reserve for a potential loss from non-payment of the obligations.

Reserve for Uncollectable Receivables

At December 31, 2009 a \$5,000 reserve was established for potentially uncollectable amounts for the sale of horse supplies and equipment. No amounts were actually written off in 2010 and 2011. Expense for 2011 is a net recovery of \$67.

Inventory

Inventory is recorded at the lower of cost or market. Cost is computed using the average method.

Pennsylvania Thoroughbred Horsemen's Association, Inc. and Related Entities  
Notes to Consolidated Financial Statements  
For The Year Ended December 31, 2011

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment is recorded at its purchase price. For book and tax purposes fixed assets are depreciated by the straight-line and declining balance methods over useful lives of five to thirty-nine years. Depreciation expense for 2011 was \$18,522.

Income Taxes

PA THA as a non-profit is not subject to income taxes on the results of its operations related to its non-profit activities. It is subject to income taxes on income from unrelated business activities. There were no unrelated business activities for 2011. No tax was payable for 2011.

TFH as a charitable non-profit is not subject to income taxes on the results of its operations related to its non-profit activities. It is subject to income taxes on income from unrelated business activities. There were no unrelated business activities for 2011. No tax was payable for 2011.

HPA is subject to federal income taxes. HPA did not pay income taxes for 2011. HPA has a net operating loss carry forward of approximately \$170,000 available for use through 2031.

PA THA BT is a taxable trust. No income taxes were paid in 2011. PA THA BT has net operating loss carry forward of \$423,000 which can be utilized through the year 2031.

Because of the uncertainty of utilizing the net operating loss carry forwards, no provision for any tax savings related to future utilization has been recorded.

There are no significant differences between financial income and tax income. Therefore, no deferred income taxes have been recorded.

There was no income tax expense for 2011.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pennsylvania Thoroughbred Horsemen's Association, Inc. and Related Entities  
Notes to Consolidated Financial Statements  
For The Year Ended December 31, 2011

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Facilities

Under terms of the Racing Agreement, the entities making up the combined group are permitted to use office space and the track shop office located in the Administration Building at no cost. This includes use of all common utilities.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 22, 2012, the date the financial statements were available to be issued.

Note 2 – RELATED PARTY TRANSACTIONS

One of the directors is a partner in the law firm representing the business interests of the consolidated group. 2011 legal expenses for this law firm were \$154,236. Of this amount \$43,928 is reflected as a reduction in the PA Race Horse Development Fund liability account and the balance of \$110,308 as an operating expense. As of December 31, 2011 unpaid legal fees to this firm were \$ 30,175.

Note 3 – PERMANENTLY RESTRICTED AGENCY FUNDS

Legislation permitting slot machine gambling established the Commonwealth of Pennsylvania Race Horse Development Fund. The legislation allocates a percentage of the slot machine gaming revenues to this fund. The PA THA receives these funds and is legally obligated to disburse the funds in accordance with the slot machine gaming legislation.

The funds received must be disbursed for purses, an annual contribution to the jockey association at Philadelphia Park and pension and health benefits for the members of the PA THA. An allowance for reasonable administrative expenses is permitted. Below is a summary of the year 2011 activity:

Agency funds at beginning of year	\$ 6,357,030
Agency funds received and accrued	<u>47,409,957</u>
Less Agency funds allocated for legislated purposes:	
Purse payouts	45,979,194
Health and life insurance benefits	1,700,414
Pension expenses incurred	470,034
Administrative expenses	161,316
Jockey Association	<u>250,000</u>
	<u>48,560,958</u>
Decrease in Agency funds for current year	<u>1,151,001</u>
Permanently restricted Agency Funds at end of year	<u>\$5,206,029</u>

Pennsylvania Thoroughbred Horsemen's Association, Inc. and Related Entities  
Notes to Consolidated Financial Statements  
For The Year ended December 31, 2011

Note 4 – OPERATING LEASES

The PA THA leases a copier for 60 months ending February 2014. The monthly rental is \$ 318 per month. Lease expense was \$6,340 including maintenance fees and machine supplies for 2011.

Future operating lease payments are as follows:

2012	\$ 3,816
2013	\$ 3,816
2014	\$ 318

Note 5—EQUIPMENT LOAN

The group advanced \$21,038 to a Philadelphia Race Track vendor to purchase Laundromat and Kitchen equipment for the use of the Backstretch personnel. It will be repaid from the cash receipts generated by its use. It is estimated the advance will be repaid by the end of 2012. The advance is interest free. During 2011, \$10,839 was repaid.

Note 6—PENSIONS PLANS

Act 71 of the Pennsylvania Gaming Law mandates that a portion of the slot revenue be utilized for pensions. As a result, on December 2, 2009, the Board of Directors 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 Organization on March 1, 2010. For the year ended December 31, 2011, the Organization approved changes to the eligibility criteria increasing participation in the Trainers' Retirement Plan.

Trainers' Retirement Plan:

Trainers will be eligible to participate in the non-qualified pension plan if they meet one of the following criteria: (1) has twenty starts during the calendar year or the prior calendar year and provided 65 percent of the trainer's total annual starts for the year were at Parx Racing; or (2) has 100 starts during the calendar year or the prior year; or (3) has a full barn at Parx Racing. In the event one of the three criteria is met, the PRDF will contribute an approved dollar amount per start into each participant's account. The plan has a five-year vesting schedule. Distributions will be made upon the participant obtaining the age of 65 or becoming disabled or dying. For 2011, the per start amount was \$40 per eligible start for trainers who were 55 years old or older and \$30 per eligible start for trainers who were under 55 years of age. Total 2011 contribution for the trainers' plan was \$420,980.

Pennsylvania Thoroughbred Horsemen's Association, Inc. and Related Entities  
Notes to Consolidated Financial Statements  
For The Year ended December 31, 2011

Note 6—PENSIONS PLANS (continued)

Employees' Retirement Plan

Eligible employees of the Pennsylvania Thoroughbred Horsemen's Association and associated companies may participate in an ERISA, non-discrimination qualified 401(k) plan. To be eligible to participate, an employee must have one year of service and the age of 21. Under the plan, the PRDF may contribute a discretionary non-elective contribution. The total 2011 contribution was \$41,479.

The total of the two pension plan contributions for 2011 was \$462,459. The cost of administering the plans by Third Party Administrators and Trust funds for 2011 was \$7,575. The total expense of \$470,034 is reflected as a reduction of the permanently restricted Agency Funds Liability account. See Note 3.

# CHAPTER 436a. HORSEMEN'S ORGANIZATIONS

Sec.

436a.1. Definitions.

436a.2. Horsemen's organization registration.

436a.3. Permitting of officers, directors, representatives and fiduciaries.

436a.4. Responsibilities of horsemen's organizations, officers, directors representatives and fiduciaries.

436a.5. Fiduciaries.

436a.6. Health and pension benefit plans.

## Authority

The provisions of this Chapter 436a issued under the Pennsylvania Race Horse Development and Gaming Act, 4 Pa.C.S. § § 1202(b)(9), (13)—(20), (23) and (30), 1202.1(b) and (e), 1205, 1311.1, 1311.2, 1317, 1317.1, 1319, 1321(a)(1) and (2), 1325, 1326, 1331 and 1406, unless otherwise noted.

## Source

The provisions of this Chapter 436a adopted October 26, 2007, effective October 27, 2007, 37 Pa.B. 5752, unless otherwise noted.

### § 436a.1. Definitions.

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

*Fiduciary*—A person who is entrusted by a horsemen's organization or its members to hold or manage funds received for horsemen under section 1406 of the act (relating to distributions from Pennsylvania Race Horse Development Fund) or who exercises control or discretionary authority over selection or management of a health or pension benefit plan, disposition of its assets or distribution of its funds.

*Health benefits*—A plan, fund or program which is maintained by a horsemen's organization and that provides healthcare benefits to horsemen at licensed racetracks, their families and employees, and others designated by the rules and eligibility requirements of the organization consistent with the act.

*Horsemen*—A thoroughbred or standardbred horse owner or trainer who enters and runs a horse at a licensed racing entity in the current or prior calendar year and meets the membership requirements of a horsemen's organization to participate in the receipt of benefits there from.

*Horsemen's organization*—A trade association which represents the majority of horsemen at a licensed racetrack and which exists for the purpose, in whole or in part, of negotiating a horsemen's contract and resolving grievances, disputes or other matters with management of a licensed racing entity, as defined by section 1103 of the act (relating to definitions).

*Horsemen's organization officer*—An officer or person authorized to perform the functions of president, vice president, secretary/treasurer or other executive function of a horsemen's organization, and any member of its board of directors or similar governing body.

*Horsemen's organization representative*—A person, compensated or not, who is authorized to represent a horsemen's organization or members thereof in matters relating to horsemen's agreements with a licensed racing entity, or who undertakes on behalf of a horsemen's organization or members thereof to promote, facilitate or otherwise influence the relations between a horsemen's organization and a licensed racing entity.

*Pension benefits*—Any plan, fund or program which is maintained by a horsemen's organization and that funds a program which provides retirement income to horsemen at licensed racetracks, their families and employees, and any others so designated by the rules and eligibility requirements of the organization consistent with the act.

#### **§ 436a.2. Horsemen's organization registration.**

- (a) Each horsemen's organization or affiliate representing horsemen shall register with the Board in accordance with this section.
- (b) Each horsemen's organization shall file a completed Horsemen's Organization Registration Statement with the registration fee posted on the Board's website ([pgcb.state.pa.us](http://pgcb.state.pa.us)).
- (c) Horsemen's organization applicants and registrants shall be subject to the general application requirements of Chapters 421a and 423a (relating to general provisions; and applications).
- (d) Horsemen's organization registrations will be valid for 4 years from the date on which the registration is approved by the Board.
- (e) Renewals will be valid for 4 years and shall be filed no later than 120 days prior to the expiration of the current registration period.
- (f) A registration for which a completed renewal application and fee has been received by the Board will continue in effect until the Board sends written notification to the horsemen's organization that the Board has approved or denied the renewal of the registration.

#### **Cross References**

This section cited in 58 Pa. Code § 436b.2 (relating to definitions); and 58 Pa. Code § 436b.3 (relating to responsibilities of horsemen's organizations).

**§ 436a.3. Permitting of officers, directors, representatives and fiduciaries.**

(a) Every officer, director or representative of a horsemen's organization who is currently elected or appointed and authorized to act on behalf of the horsemen's organization, or any individual authorized to act in a fiduciary capacity on behalf of horsemen shall be permitted in accordance with this section.

(b) Every officer, director or representative of a horsemen's organization who is currently elected or appointed and authorized to act on behalf of the horsemen's organization, or any individual authorized to act in a fiduciary capacity on behalf of horsemen shall file a completed Horsemen's Permit Application Form with the permit fee posted on the Board's website (pgcb.state.pa.us).

(c) Applicants and permittees under this section shall be subject to the general application requirements of Chapters 421a and 423a (relating to general provisions; and applications).

(d) Permits issued under this section will be valid for 1 year from the date on which the permit is approved by the Board.

(e) Renewals will be valid for 1 year and shall be filed at least 60 days prior to the expiration of the current permit.

(f) A permit for which a completed renewal application and fee has been received by the Board will continue in effect until the Board sends written notification to the permittee that the Board has approved or denied the renewal of the permit.

(g) If a current officer, director or representative of a horsemen's organization is denied a permit required by this section, that officer, director or representative shall be precluded from engaging in any activity of the horsemen's organization involving gaming funds allocated to, received by, or distributed from the horsemen's organization.

(h) A person who is a third-party provider of a health or pension benefit plan to a horsemen's organization shall be exempt from the requirements of this section. A licensed attorney or accountant representing a horsemen's organization who does not meet the conditions in subsection (a) shall also be exempt under this section.

**Cross References**

This section cited in 58 Pa. Code § 436b.3 (relating to responsibilities of horsemen's organizations).

**§ 436a.4. Responsibilities of horsemen's organizations, officers, directors, representatives and fiduciaries.**

(a) Horsemen's organizations, officers, directors, representatives and fiduciaries shall ensure that the funds allocated to the horsemen and horsemen's organizations are used for the benefit of all horsemen of this Commonwealth.

(b) Funds allocated to horsemen's organizations for benevolent programs are not to be used for the personal benefit of any officer, director, representative or fiduciary of a horsemen's organization except to the extent that the officer, director, representative or fiduciary of the horsemen's organization is a participant in the benevolent programs on the same basis as other eligible program participants.

(c) Horsemen's organizations shall maintain adequate records of receipts and distributions of the funds allocated to them under the act.

(d) By March 30 of each calendar year, each horsemen's organization shall file with the Board two copies of its audited financial statements together with any management letters or reports written thereon as prepared by its independent auditor. These filings will be available for public inspection during the normal operating hours of the Board at its Harrisburg office.

### **Cross References**

This section cited in 58 Pa. Code § 436b.3 (relating to responsibilities of horsemen's organizations).

### **§ 436a.5. Fiduciaries.**

Fiduciaries shall:

(1) Ensure that the funds received for the benefit of the horsemen are distributed pursuant to the act.

(2) Manage all health and pension benefit plans for the exclusive benefit of participants and beneficiaries.

(3) Carry out their duties in a prudent manner and refrain from conflict-of-interest transactions.

(4) Comply with limitations on certain plans' investments in particular securities and properties.

(5) Fund benefits in accordance with applicable law and plan rules.

(6) File quarterly reports with the Board within 20 days of the end of each calendar quarter. The reports must detail the expenditure of funds designated by the act for the benefit of horsemen and be in a format and manner designated by the Board.

(7) Provide documents to the Board as may be requested in the conduct of investigations or to ensure compliance with the act and this chapter.

### **Cross References**

This section cited in 58 Pa. Code § 436b.3 (relating to responsibilities of horsemen's organizations).

**§ 436a.6. Health and pension benefit plans.**

(a) Contracts for health and pension benefit plans established for the benefit of members of a horsemen's organization must:

(1) Be submitted to the Board for review at least 90 days prior to the proposed effective date of the contract.

(2) Not be effective until approved by the Board.

(b) Administrative and overhead costs incurred by the horsemen's organization for the administration of health and pension benefit plans must be reasonable. Administrative costs that do not exceed 15% of the statutory allocation are considered reasonable.

# CHAPTER 436b. USE OF FUNDS ALLOCATED TO HORSEMEN'S ORGANIZATIONS—STATEMENT OF POLICY

Sec.

436b.1. Scope.

436b.2. Definitions.

436b.3. Responsibilities of horsemen's organizations.

436b.4. Audits of horsemen's organizations.

436b.5. Reports.

436b.6. Responsibilities of Category 1 licensees.

## Authority

The provisions of this Chapter 436b issued under the Pennsylvania Race Horse Development and Gaming Act, 4 Pa.C.S. § § 1202(b)(9), (13)—(20), (23) and (30), 1202.1(b) and (e), 1205, 1311.1, 1311.2, 1317, 1317.1, 1319, 1321(a)(1) and (2), 1325, 1326, 1331 and 1406, unless otherwise noted.

## Source

The provisions of this Chapter 436b adopted October 26, 2007, effective October 27, 2007, 37 Pa.B. 5752, unless otherwise noted.

### § 436b.1. Scope.

The act requires the Board to:

(1) Establish guidelines that ensure that funds distributed from the Fund and which are allocated to horsemen's organizations, as defined by the act, are used to finance programs that benefit the horsemen of this Commonwealth. (See 4 Pa.C.S. § 1406(b) (relating to distributions from Pennsylvania Race Horse Development Fund).)

(2) Ensure that funds allocated to the horsemen's organizations are used to finance programs which benefit the horsemen of this Commonwealth. (See 4 Pa.C.S. § 1406(c).)

(3) Ensure that no more than 15% of funds available annually for benevolent programs, including pension, health and insurance plans, are used to administer the programs. (4) Ensure that the horsemen's organizations that receive funds from the Fund file an annual audit prepared by a certified public accountant. (See 4 Pa.C.S. § 1406(e).)

(5) Approve the health and pension benefit contracts entered into by the horsemen's organizations. (See 4 Pa.C.S. § 1406(f).)

### **§ 436b.2. Definitions.**

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

*Fund*—The Pennsylvania Race Horse Development Fund.

*Registered horsemen's organization*—A horsemen's organization that receives funds from the Fund and which shall register with the Board under § 436a.2 (relating to horsemen's organization registration).

### **§ 436b.3. Responsibilities of horsemen's organizations.**

(a) A horsemen's organization shall register with the Board under § 436a.2 (relating to horsemen's organization registration).

(b) Registered horsemen's organizations shall ensure that funds received from the Fund are used to benefit all horsemen and are kept apart from funds acquired from other sources. Funds that are allocated to horsemen's organizations for benevolent programs are not to be used for the personal benefit of any officer, director, representative or fiduciary of the horsemen's organization.

(c) Registered horsemen's organizations shall ensure that administrative costs are reasonable as required by 4 Pa.C.S. § 1406(d) (relating to distributions from Pennsylvania Race Horse Development Fund). Costs that do not exceed 15% of the annual total statutory allocation are deemed reasonable.

(d) Registered horsemen's organizations shall ensure that health and pension benefits contracts entered into by the horsemen's organizations are approved by the Board.

(e) The officers, directors, fiduciaries and representatives of a registered horsemen's organization shall file an application for a permit with the Board under § 436a.3 (relating to permitting of officers, directors, representatives and fiduciaries).

(f) The officers, directors, fiduciaries and representatives of a registered horsemen's organization shall comply with §§ 436a.4 and 436a.5 (relating to responsibilities of horsemen's organizations, officers, directors, representatives and fiduciaries; and fiduciaries) relative to the responsibilities of the horsemen's organizations and their officers, directors, representatives and fiduciaries.

### **§ 436b.4. Audits of horsemen's organizations.**

(a) Registered horsemen's organizations that receive funds from the Fund shall file annually, with the appropriate racing commission and the Board, an audit prepared by a certified public

accountant of the funds received under 4 Pa.C.S. § 1406(e) (relating to distributions from Pennsylvania Race Horse Development Fund). Audits shall be available for public review.

(b) Audits submitted to the Board must reflect all funds received from the Fund which are used or intended to be used for purse supplements under 4 Pa.C.S. § 1406(a)(1)(i) and health and pension benefits under 4 Pa.C.S. § 1406(a)(1)(iii).

(c) Audits shall be mailed to the Pennsylvania Gaming Control Board, Attn: Director, Racetrack Gaming, P. O. Box 69060, Harrisburg, Pennsylvania 17106-9060 in sufficient time to be received no later than March 30th of each calendar year.

#### **§ 436b.5. Reports.**

(a) Registered horsemen's organizations shall file with the Board no later than the 20th day of the month following the end of each calendar quarter the following reports:

(1) Quarterly report of funds received from the Fund through the Category 1 licensee conducting live racing into the account established by and for the benefit of the horsemen under 4 Pa.C.S. § 1406(1)(a)(i) (relating to distributions from Pennsylvania Race Horse Development Fund).

(2) Quarterly report of funds distributed for purse supplements from the account established by and for the benefit of the horsemen under 4 Pa.C.S. § 1406(1)(a)(i).

(3) Quarterly report of funds received for health and pension benefits health and pension benefits under 4 Pa.C.S. § 1406(1)(a)(iii).

(b) Horsemen's organizations shall ensure that funds allocated for thoroughbred jockeys and standardbred drivers are paid as required by 4 Pa.C.S. § 1406(a)(1)(iii) and that the distribution of these proceeds is reflected in the annual audit required by 4 Pa.C.S. § 1406(e).

#### **§ 436b.6. Responsibilities of Category 1 licensees.**

Category 1 licensees conducting live racing and who receive distributions from the Fund for distribution to purses shall file the following report with the Board no later than the 20th day of the month following the end of each calendar quarter:

(1) Quarterly report of funds received from the Fund.

(2) Quarterly report of funds deposited into a separate, interest-bearing purse account established by and for the benefit of the horsemen under 4 Pa.C.S. § 1406(a)(1)(i) (relating to distributions from Pennsylvania Race Horse Development Fund) and § 441a.22(b)(3)(i) (relating to Category 1 slot machine licensees).

(3) Quarterly report of funds distributed to the horsemen's organization representing the owners and trainers at the racetrack at which the licensed racing entity operates for health and pension benefits under 4 Pa.C.S. § 1406(a)(1)(iii) and § 441a.22(b)(3)(ii).

(4) Quarterly report of expenditures for backside improvements in conformity with 4 Pa.C.S. § 1404 (relating to distributions from licensee's revenue receipts).

**Source**

The provisions of this § 436b.6 amended May 16, 2007, effective April 24, 2008. Immediately preceding text appears at serial page (331201).

**PTHA  
Appendix 5**

**Members**

<b>State</b>	<b>Number of Members</b>
AR	6
AZ	6
CA	55
CO	4
CT	36
DC	5
GA	20
IA	3
ID	4
IL	25
IN	8
KS	1
KY	135
LA	7
MA	97
ME	2
MI	13
MN	8
MO	6
MS	1
MT	1
NC	24
NE	2
NH	19
NM	1
NV	8
OH	46
OK	5
OR	2
RI	13
SC	27
TN	7
TX	50
UT	1
VA	90
VT	1
WA	5
WI	5
WV	25
WY	1
PA	1061
DE	108
FL	260
MD	325
NJ	695
NY	514
Total	<u>3738</u>

**Health Plan**

<b>State</b>	<b>Number of Participants</b>
DE	2
FL	1
NH	1
NJ	26
PA	111
Total	<u>141</u>

<b>Health Plan</b>	
<b>Category</b>	<b>Number of Participants</b>
Trainers	118
PTHA Employees	14
Asst. Trainers	8
Spouse	1
	<hr/> 141

<b>Retirement Plan</b>	
<b>State</b>	<b>Number of Participants - Trainers</b>
Ontario, Canada	2
DE	2
FL	2
KY	1
MD	3
NH	2
NJ	24
PA	106
Unknown	1

<b>Retirement Plan</b>	
<b>Category</b>	<b>Number of Participants</b>
Trainers	143

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ACCOUNTING  
**FIRMS**  
TO WORK FOR  
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