

**PENNSYLVANIA HORSEMEN'S  
ASSOCIATION**

**THE MEADOWS STANDARD BRED  
OWNERS ASSOCIATION**

PERFORMANCE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

# PENNSYLVANIA HORSEMEN’S ASSOCIATION

## THE MEADOWS STANDARDBRED OWNERS ASSOCIATION

### 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 The Meadows Standardbred Owners Association (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  
November 20, 2012

# PENNSYLVANIA HORSEMEN'S ASSOCIATION

## THE MEADOWS STANDARDBRED OWNERS ASSOCIATION

### EXECUTIVE SUMMARY

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

This performance audit of The Meadows Standardbred Owners Association (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 year 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.

#### *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. It is recommended that management update the financial statements related to the transposed balance of the "Purse Escrow Fund" and the "Health & Welfare Escrow Fund."

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

The reconciliation of the receipt and disbursement of Pennsylvania Race Horse Development Funds resulted in minimal findings related to the timing of the funds reported on the quarterly reports to the Pennsylvania Gaming Control Board. The conclusion is that Pennsylvania Race Horse Development Funds, with this one exception, were accurately accounted for within the Association's financial statements. It is recommended that management amend the reports for the quarter ended June 30, 2011.

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. The conclusion is that, with this one exception, 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.

# PENNSYLVANIA HORSEMEN'S ASSOCIATION

## THE MEADOWS STANDARDBRED OWNERS ASSOCIATION

### BACKGROUND AND ADDITIONAL INFORMATION

#### *Organization*

The Meadows Standardbred Owners Association (Association) is a membership organization with the purpose of (a) the promotion of the sport of harness racing and the best interests of its horsemen in general at The Meadows Racetrack in particular, and (b) the provision of effective representation for horsemen interested in racing at The Meadows Racetrack, including the negotiation of proper contracts with the licensed harness racing associations conducting harness race meetings at The Meadows Racetrack, the furnishing of appropriate grievance procedures, and the maintaining of consultations and communications between horsemen and the licensed racing associations involved at The Meadows Racetrack. Membership consists of owners, trainers, and drivers of Standardbred horses actively participating in harness race meetings at The Meadows Racetrack. The Association acts as a fiduciary in the collection and dispersal of Pennsylvania Racehorse Development Funds.

The Association did not enter into any transactions with affiliates during the year ended December 31, 2011, and the Association's management indicated to McKonly & Asbury, LLP (M&A) that no such affiliate relationships exist.

The Association receives Pennsylvania Racehorse Development Funds from The Meadows Racetrack & Casino (Casino).

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

Occurring on Friday of each week, the Pennsylvania Department of Revenue will email representatives at the Casino stating how much Pennsylvania Racehorse Development Funds they are transferring to the Casino, including the portions for purses and health and welfare benefits. The Association is copied on this correspondence. Approximately two weeks following this transmittal, funds are wired from the Casino to the Association into separate bank accounts.

The Racing Secretary from the Casino provides the Association with an estimate of purses to be paid. The Association wires this money to the Casino to be paid in future purses. After the races are completed, the Association receives a schedule of purses paid for the prior week that details the purse payouts by race and by date. Health & welfare disbursements are made directly by the Association based on invoices received.

#### *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. The auditor's report on financial statements for the fiscal year ended December 31, 2011, was issued by Michalik & Daniels, LLC on March 26, 2012.

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

## PENNSYLVANIA HORSEMEN'S ASSOCIATION

### THE MEADOWS STANDARDBRED OWNERS ASSOCIATION

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

##### Association Membership:

- Owners, trainers, and drivers of Standardbred race horses are eligible for membership if they are licensed as such in Pennsylvania, are a member in good standing with the United States Trotting Association (USTA), and are the owner, trainer, or driver of any horse entered in a harness racing event at The Meadows Racetrack during the current or preceding racing season.
- Dues are \$25.00 per individual or \$35.00 for a husband and wife together when individually eligible for membership, per calendar year regardless of date joined. Dues must be paid with application.

##### Association Associate Membership:

- Grooms of Standardbred racehorses, if they are licensed as such in Pennsylvania, and spouses of owners, trainers, and drivers are eligible for associate membership.
- Dues are \$5.00 per individual per calendar year regardless of date joined. Dues must be paid with application.

##### Eligibility requirements for *Trainer* Health Plan:

- Must be a Member of the Association.
- Must be a resident of the United States.
- Must have a valid trainer's license issued by Pennsylvania Harness Racing Commission (PHRC).
- Must derive at least 75% of his/her income from actual training of harness horses and must stand to prove such with Federal and State Income Tax filings in the event of a challenged eligibility.
- Must have at least 35 programmed starts and 50% of all USTA recognized programmed starts or a minimum of 400 total starts take place at The Meadows Racetrack in the preceding 12 months. (Outside of the Meadows Stake Races and Late Closing events, which will not be counted in Trainers total starts).
- New applicants after Jan 1 of each year must complete sixty (60) days of eligibility after application for coverage to begin.

##### Eligibility requirements for *Driver* Health Plan:

- Must be a Member of the Association
- Must be a resident of the United States.
- Must have a valid PHRC license to drive Standardbred horses.
- Must derive at least 75% of his/her income from driving harness horses and must stand to prove such with Federal and State Income Tax filings in the event of a challenged eligibility.

## PENNSYLVANIA HORSEMEN'S ASSOCIATION

### THE MEADOWS STANDARDBRED OWNERS ASSOCIATION

- Must have at least 50 programmed drives and 50% of his/her USTA recognized programmed starts take place at The Meadows Racetrack in the preceding 12 months. (Outside of the Meadows and Late Closing events, which will not be counted in Drivers total starts).
- New applicants after Jan 1 of each year must complete sixty (60) days of eligibility after application for coverage to begin.

#### Eligibility requirements for *Groom* Health Plan:

- Must be an associate Member of the Association.
- Must be a resident of the United States.
- Must hold a valid groom's license from the Commonwealth of Pennsylvania
- Must be listed as a full-time employee of a licensed trainer who satisfies all of the requirements for trainer eligibility in the Association Health Program including the requirement for Association membership.
- Must derive at least 75% of his/her income from being a full time groom and must stand to prove such with Federal and State Income Tax filings in the event of a challenged eligibility.
- Must pay premium of \$100 (\$50.00 effective May 1, 2009).
- Employer Trainers must sign quarterly stable employee eligibility sheet at the Association.
- New grooms after May 1 of each year must complete sixty (60) days of eligibility after application for coverage to begin.

#### Eligibility requirements for *Trainers and Drivers* Retirement Plan:

- Member of the Association.
- Driver: 50 qualified starts at The Meadows Racetrack during the plan year.
- Trainer: 35 qualified starts at The Meadows Racetrack during the plan year.

#### Eligibility requirements for *Grooms* Retirement Plan:

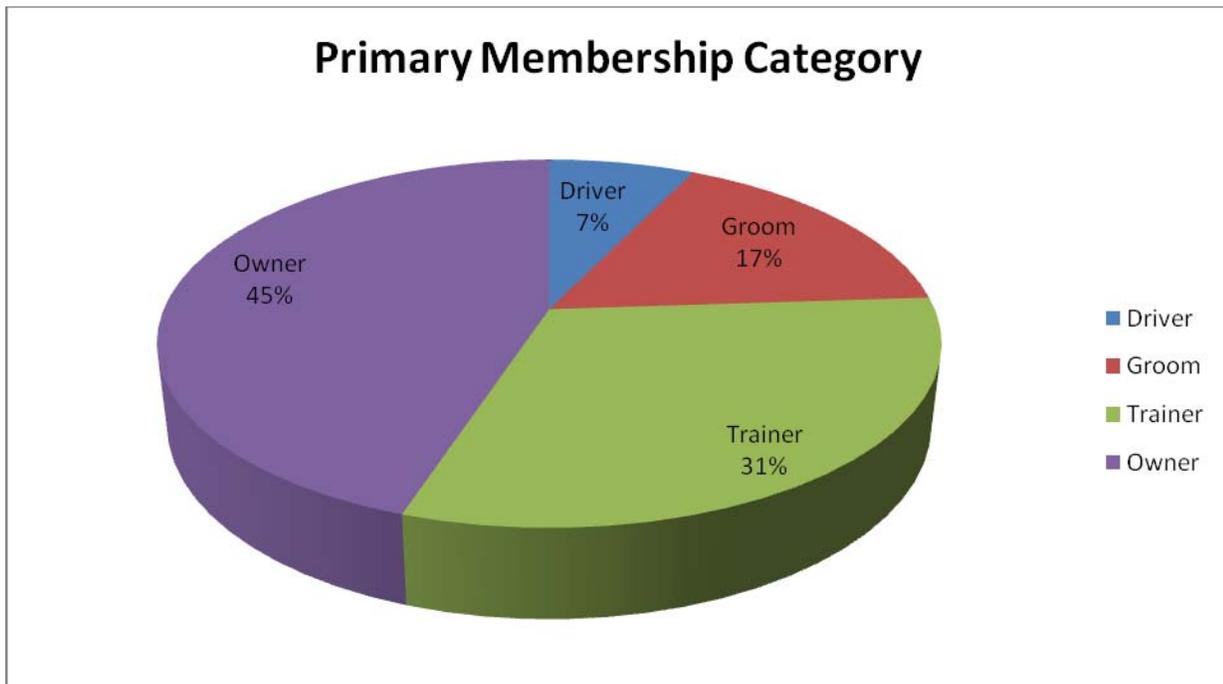
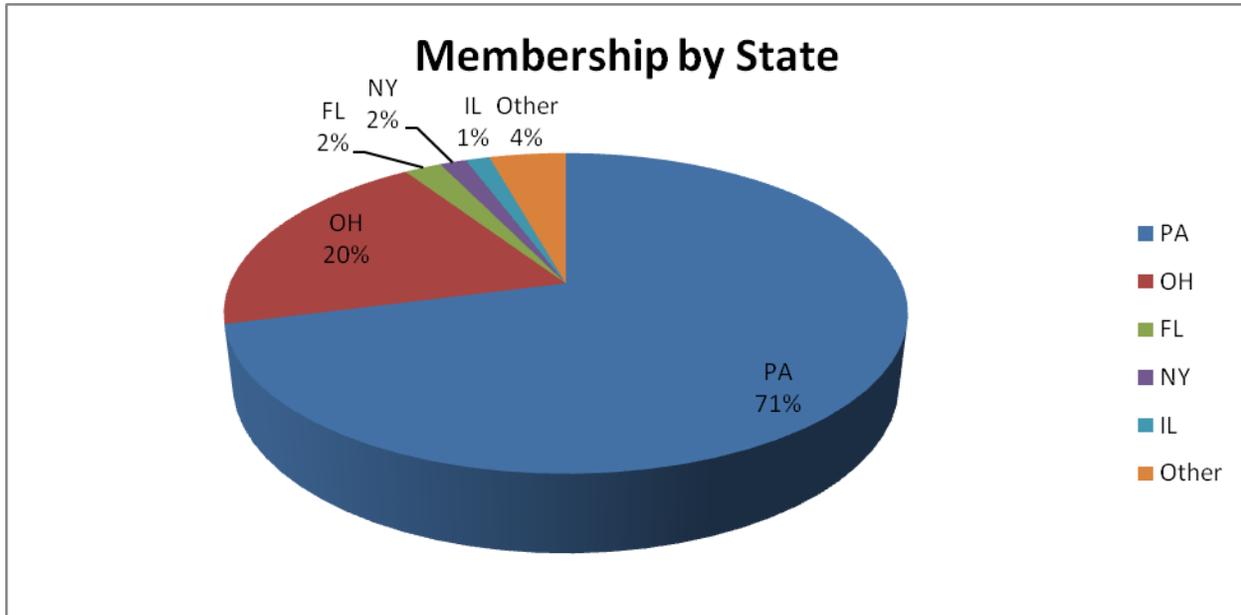
- Associate member of the Association.
- Legal citizen of the United States of America.
- Licensed as a groom by the Commonwealth of Pennsylvania.
- Employed as a groom by a Qualified Trainer(s) at The Meadows Racetrack.
- Derive at least 75% of his/her total income from services as a groom for a Qualified Trainer(s) at The Meadows Racetrack.
- Presented true and correct copies of his/her 2011 W-2 and/or 1099 Forms.

**PENNSYLVANIA HORSEMEN'S ASSOCIATION**

**THE MEADOWS STANDARDBRED OWNERS ASSOCIATION**

***Membership and Eligibility Data:***

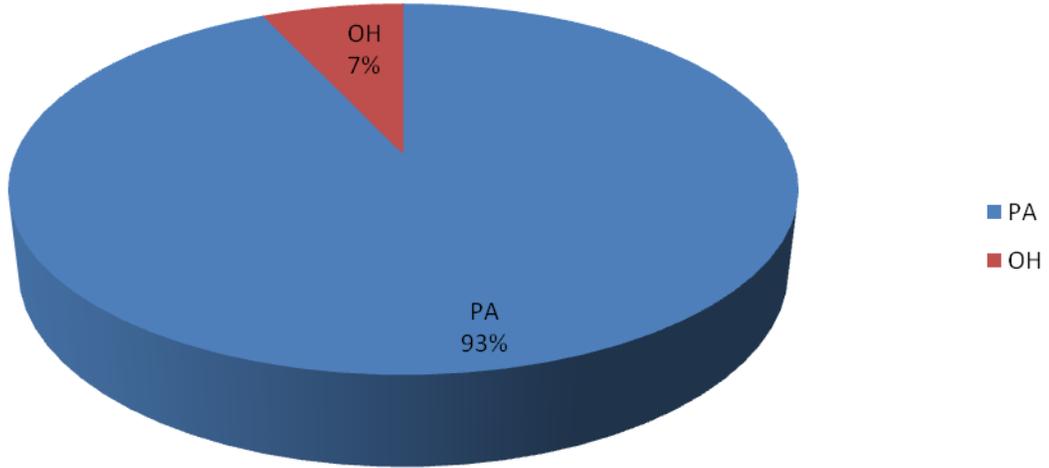
Based on information provided to us during our fieldwork, the graphical representations of membership and eligibility of the Association have been made below. This information was not audited by M&A and is derived from information included in Appendix 5, which was provided by the Association.



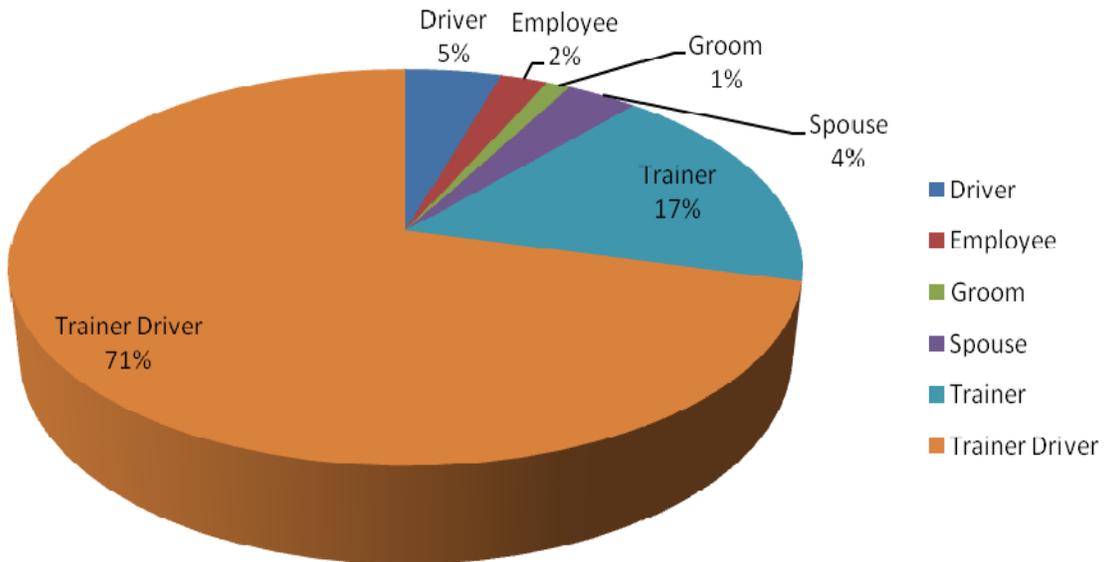
**PENNSYLVANIA HORSEMEN'S ASSOCIATION**

**THE MEADOWS STANDARDBRED OWNERS ASSOCIATION**

**Health Plan (3) - Participants by State**



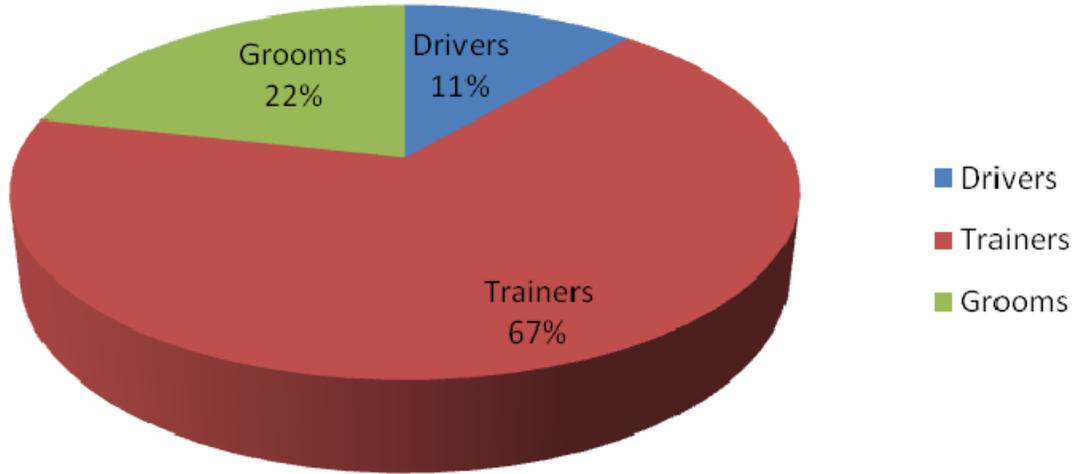
**Health Plan (3) - Participants by Category**



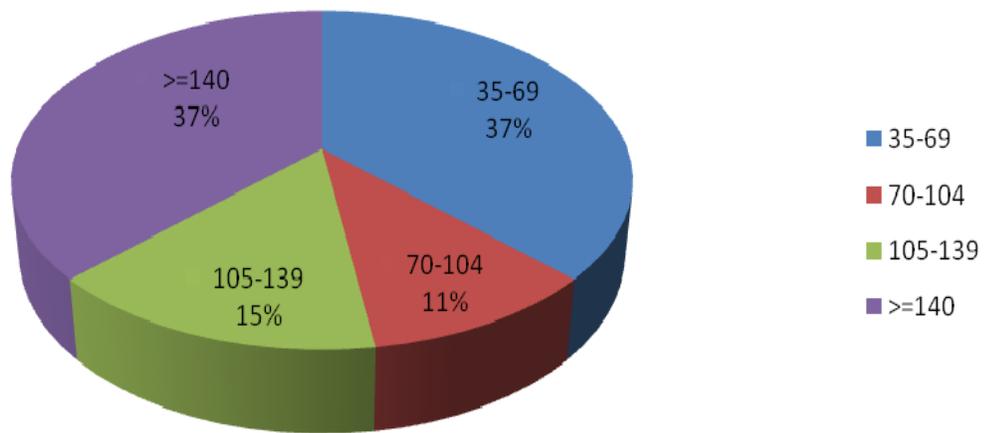
**PENNSYLVANIA HORSEMEN'S ASSOCIATION**

**THE MEADOWS STANDARDBRED OWNERS ASSOCIATION**

**Retirement Plan Participants**

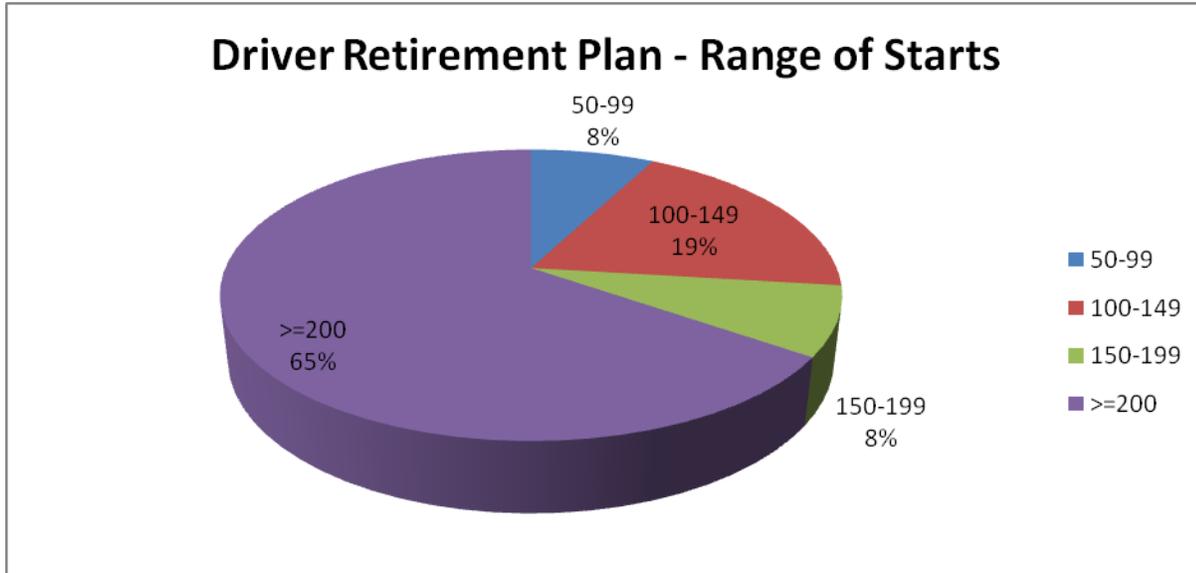


**Trainer Retirement Plan - Range of Starts**



**PENNSYLVANIA HORSEMEN’S ASSOCIATION**

**THE MEADOWS STANDARDBRED OWNERS ASSOCIATION**



**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.

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## THE MEADOWS STANDARDBRED OWNERS ASSOCIATION

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 that the recipients of health and welfare benefits are eligible members of each association.

### *Scope*

This performance audit is limited to The Meadows Standardbred Owners Association for the fiscal year ending December 31, 2011, and includes Pennsylvania Racehorse Development Funds as included in the 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 Washington, Pennsylvania occurred, where we met with Association management and the external auditor.

### *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 September 19, 2012 through September 21, 2012, at the Association's office in Washington, 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 November 20, 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.

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### **THE MEADOWS STANDARDBRED OWNERS ASSOCIATION**

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

### **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 MANAGEMENT'S RESPONSES**

Kim Hankin, Executive Director, Meadows Standardbred Owners Association provided management's responses and agreed with the recommendations. Reference Appendix 1 for the detailed management response.

### **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.

**PENNSYLVANIA HORSEMEN'S ASSOCIATION**  
**THE MEADOWS STANDARDBRED OWNERS ASSOCIATION**

**APPENDICES**

**Pennsylvania Horsemen's Association Audits  
Meadows Standardbred Owners Association - Year ended December 31, 2011  
Appendix 1 - Audit Results**

OBJECTIVE	FINDINGS	CONCLUSION	RECOMMENDATIONS	MANAGEMENT'S RESPONSES
<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.	Noted that the audited statement of financial position reports incorrect balances in the noncurrent liabilities for the "Purse escrow fund" and "Health and welfare escrow fund". In total, the escrow funds are correct. The specific amounts for each fund have been transposed.	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. M&A noted that the accounts making up noncurrent liabilities, "Purse escrow fund" and "Health and welfare escrow fund", are transposed.	Management should update their financial statements.	Management will update the financial statements, per Kim Hankins, Executive Director, Meadows Standardbred Owners Association
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  
Meadows Standardbred Owners Association - Year ended December 31, 2011  
Appendix 1 - Audit Results**

OBJECTIVE	FINDINGS	CONCLUSION	RECOMMENDATIONS	MANAGEMENT'S RESPONSES
<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 general ledger 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.	The Association's report filed with the Gaming Board for the period April 1, 2011 - June 30, 2011 incorrectly includes amounts from March 2011 that were already accounted for in the Association's report for the period January 1, 2011 - March 31, 2011. Subsequent quarterly reports were not corrected. Funds accounted for and received by the Association were accurate.	The amount of Pennsylvania Racehorse Development Funds disbursed to each Association was verified with minimal exception.	Management should amend their reports for the quarter ended June 30, 2011, and ensure they have proper procedures in place to include the correct amounts on the reports that are filed with the State.	Management will amend report for the quarter ending June 30, 2011, per Kim Hankins, Executive Director, Meadows Standardbred Owners Association
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**  
**Meadows Standardbred Owners Association - Year ended December 31, 2011**  
**Appendix 1 - Audit Results**

OBJECTIVE	FINDINGS	CONCLUSION	RECOMMENDATIONS	MANAGEMENT'S RESPONSES
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.	None	The Association's activity within the escrow accounts used to account for the Pennsylvania Racehorse Development Funds was verified as complete and accurate.	None	
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.	None	Purse fund distributions appear accurate, complete, and have been made in accordance with PA Code 436a and 436b.	None	
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	Health & welfare fund distributions appear accurate, complete, and have been made in accordance with PA Code 436a and 436b.	None	

**Pennsylvania Horsemen's Association Audits  
Meadows Standardbred Owners Association - Year ended December 31, 2011  
Appendix 1 - Audit Results**

OBJECTIVE	FINDINGS	CONCLUSION	RECOMMENDATIONS	MANAGEMENT'S RESPONSES
<p>7: To determine that health &amp; 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 &amp; welfare transactions, and limited recalculations of administrative expenses.</p>	<p>It was noted that the Groom Retirement Contract and the Health Contract were not submitted to the PA Gaming Control Board at least 90 days prior to their effective dates.</p> <p>Per the PA Gaming Control Board: The agency is unable to verify if these contracts (Groom Retirement Contract and Health Contract) were submitted to the Board prior to their effective date. Board staff received the contracts as indicated and determined that the contracts had already been implemented. As a result, the Board has reemphasized the obligations of the Associations to submit the contracts in advance for Board review and approval.</p>	<p>Health &amp; welfare plans have been administered in accordance with Code 436a and 436b, with the exception that certain contracts were not submitted to the PA Gaming Control Board at least 90 days prior to their effective dates.</p>	<p>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 their effective date.</p>	<p>Management will submit all health and pension contracts to the PA Gaming Control Board at least 90 days prior to their effective date per Kim Hankins, Executive Director, Meadows Standardbred Owners Association</p>
<p>8: To determine that the recipients of health &amp; welfare benefits are eligible members of each Association, primarily through comparison of participants in the health &amp; welfare plans to membership listings.</p>	<p>None</p>	<p>Individuals receiving health &amp; welfare benefits were members of the Association.</p>	<p>None</p>	

MEADOWS STANDARDBRED OWNERS ASSOCIATION  
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	29,882,203	1,835,192	31,717,395
Interest Income	9,620	4,769	14,389
Total Cash Receipts	<u>29,891,824</u>	<u>1,839,960</u>	<u>31,731,784</u>
Cash Disbursements			
Purse payments	29,931,500	-	29,931,500
Payments for health & welfare benefits	-	1,917,736	1,917,736
Administrative expenses	-	40,829	40,829
Total Cash Disbursements	<u>29,931,500</u>	<u>1,958,565</u>	<u>31,890,065</u>
Changes in Escrow Balances	(39,676)	(118,605)	(158,281)
Escrow balance at January 1, 2011	<u>1,789,362</u>	<u>1,431,729</u>	<u>3,221,091</u>
Escrow balance at December 31, 2011	<u><u>1,749,686</u></u>	<u><u>1,313,124</u></u>	<u><u>3,062,811</u></u>
	<u>Purses</u>	<u>Benefits</u>	<u>Total</u>
Reconciliation to Audited Financial Statements:			
Gaming funds, as reported above	29,882,203	1,835,192	31,717,395
Cancellation of a week of racing in September 2011	<u>(624,160)</u>	<u>-</u>	<u>(624,160)</u>
Gaming funds, as reported on the Audited Financial Statements	<u><u>29,258,043</u></u>	<u><u>1,835,192</u></u>	<u><u>31,093,235</u></u>
Purse payments, as reported above	29,931,500	-	29,931,500
Cancellation of a week of racing in September 2011	<u>(624,160)</u>	<u>-</u>	<u>(624,160)</u>
Purse payments, as reported on the Audited Financial Statements	<u><u>29,307,340</u></u>	<u><u>-</u></u>	<u><u>29,307,340</u></u>

MEADOWS STANDARD BRED OWNERS ASSOCIATION  
 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>
Harland Clarke	3/16/2011	12.60	Office Expense
Reed Smith LLP	2/18/2011	3,136.00	Legal Fees
Stevens & Lee	3/17/2011	10,406.96	Legal Fees
Dunbar, Bender & Zapf, Inc.	3/25/2011	2,755.00	Actuarial Services
Dunbar, Bender & Zapf, Inc.	3/25/2011	5,455.00	Actuarial Services
Stevens & Lee	4/15/2011	208.00	Legal Fees
Reed Smith LLP	4/15/2011	7,644.00	Legal Fees
Reed Smith LLP	5/13/2011	882.61	Legal Fees
Reed Smith LLP	6/10/2011	13.66	Legal Fees
Dillon McCandless King Coulter & Graham	7/15/2011	704.12	Legal Fees
Reed Smith LLP	8/12/2011	4,982.50	Legal Fees
Dunbar, Bender & Zapf, Inc.	8/19/2011	2,528.75	Actuarial Services
Dunbar, Bender & Zapf, Inc.	8/19/2011	725.00	Actuarial Services
Reed Smith LLP	9/16/2011	1,374.83	Legal Fees
Administrative Expenses at December 31, 2011		<u>40,829.03</u>	

MEADOWS STANDARD BRED OWNERS ASSOCIATION  
A NONPROFIT MEMBERSHIP CORPORATION  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 and 2010

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## **Independent Auditors' Report**

To the Board of Directors  
Meadows Standardbred Owners Association

We have audited the accompanying statements of financial position of the Meadows Standardbred Owners Association (a nonprofit membership corporation) as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Meadows Standardbred Owners Association as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Michalik & Daniels, LLC*

March 26, 2012  
Pittsburgh, Pennsylvania

MEADOWS STANDARD BRED OWNERS ASSOCIATION

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2011 AND 2010

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	Assets	
	2011	2010
<b>Current Assets</b>		
Cash and cash equivalents	\$3,697,744	\$2,412,722
Accounts receivable	<u>2,000</u>	<u>-0-</u>
	3,699,744	2,412,722
<b>Fixed Assets</b>		
Equipment	14,063	30,097
Less: accumulated depreciation	<u>(12,309)</u>	<u>(27,841)</u>
Net fixed assets	<u>1,754</u>	<u>2,256</u>
<b>Restricted Cash</b>	<u>3,062,811</u>	<u>3,221,091</u>
<b>Total Assets</b>	<u>\$6,764,309</u>	<u>\$5,636,069</u>
	<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>		
Accrued expenses	\$ 9,862	\$ 9,848
Prepaid membership dues and benefits	-0-	9,248
Payroll liabilities	<u>4,010</u>	<u>4,398</u>
<b>Total Current Liabilities</b>	13,872	23,494
<b>Noncurrent Liabilities</b>		
Purse escrow fund	1,313,125	1,431,729
Health and welfare escrow fund	<u>1,749,686</u>	<u>1,789,362</u>
<b>Total Noncurrent Liabilities</b>	3,062,811	3,221,091
<b>Net Assets - Unrestricted</b>	<u>3,687,626</u>	<u>2,391,484</u>
	<u>\$6,764,309</u>	<u>\$ 5,636,069</u>

See accompanying notes.

# MEADOWS STANDARDBRED OWNERS ASSOCIATION

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Changes in Unrestricted Net Assets:	2011	2010
<b>Support and Revenue</b>		
Pari-mutuel receipts	\$12,722,422	\$13,479,258
Membership dues	16,100	15,874
Miscellaneous	7,200	7,208
Horsemen's services & benefits	6,414	5,481
Pension expense reimbursement	40,816	32,504
Interest	<u>16,305</u>	<u>33,428</u>
Total Income	12,809,257	13,573,753
<b>Expenses</b>		
Program Services – Horsemen's Expense		
Purses paid	10,224,824	15,834,902
Grooms health insurance	500,141	432,950
Insurance	86,180	77,673
Fair operations	148,178	139,688
Salaries, payroll taxes and employee benefits	138,980	131,975
Rent and leased equipment	12,872	11,168
Telephone	2,716	2,722
Licenses and permits	1,173	1,275
General office	8,710	9,791
Professional fees	134,452	250,866
Meetings and travel	27,317	33,413
Membership dues	11,476	11,556
Horsemen's services and events	41,118	46,984
Donations, scholarships and research	68,656	142,435
Pension	41,746	29,304
Advertising	56,082	41,600
Miscellaneous	<u>677</u>	<u>2,324</u>
	11,505,298	17,200,626
Support Services		
Salaries benefits and payroll taxes	7,315	6,946
Depreciation	<u>502</u>	<u>502</u>
	7,817	7,448
Total Expenses	<u>11,513,115</u>	<u>17,208,074</u>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	1,296,142	(3,634,321)
<b>Unrestricted Net Assets at Beginning of Year</b>	<u>2,391,484</u>	<u>6,025,805</u>
<b>Unrestricted Net Assets at End of Year</b>	<u>\$ 3,687,626</u>	<u>\$2,391,484</u>

See accompanying notes.

# MEADOWS STANDARD BRED OWNERS ASSOCIATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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### Increase (Decrease) in Cash and Cash Equivalents

	2011	2010
<b>Cash Flows from Operating Activities:</b>		
Increase (decrease ) in net assets	\$ 1,296,142	\$(3,634,321)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	502	502
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(2,000)	63,566
Increase (Decrease) in prepaid dues and benefits	(9,248)	4,472
Increase (Decrease) in payroll liabilities	(388)	511
Increase (Decrease) in accrued expenses	<u>14</u>	<u>(4,154)</u>
Total adjustments	<u>(11,120)</u>	<u>64,897</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	1,285,022	(3,569,424)
<b>Cash Flows from Investing Activities</b>		
Capital Expenditures	<u>-0-</u>	<u>(1,547)</u>
<b>Net Cash (Used) by Investing Activities</b>	-0-	(1,547)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,285,022	(3,570,971)
Cash and Cash Equivalents at Beginning of Year	<u>2,412,722</u>	<u>5,983,693</u>
Cash and Cash Equivalents at End of Year	\$ <u>3,697,744</u>	\$ <u>2,412,722</u>

### Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest	\$ -0-	\$ -0-
Income taxes	\$ -0-	\$ -0-

See accompanying notes.

# MEADOWS STANDARDBRED OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

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## Organization

The Meadows Standardbred Owners Association (MSOA) was organized in January 1977 and operates as a nonprofit membership corporation under the laws of the Commonwealth of Pennsylvania. Membership consists of owners, trainers and drivers of Standardbred horses actively participating in harness race meetings at The Meadows.

The purposes for which the MSOA has been organized and operates consist primarily of (a) the promotion of the sport of harness racing and the best interests of its horsemen in general and at The Meadows in particular, and (b) the provision of effective representation for horsemen interested in racing at The Meadows, including the negotiation of proper contracts with the licensed harness racing associations conducting harness race meetings at The Meadows, the furnishing of appropriate grievance procedures, and the maintaining of consultations and communications between horsemen and the licensed racing associations involved at The Meadows.

## Summary of Significant Accounting Policies

The summary of significant accounting policies of MSOA is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's directors, who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles.

**Basis of Presentation** – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In 2011 and 2010, the only restricted asset was cash received in accordance with Pennsylvania gaming statutes.

**Revenue and Expenses** - Membership dues are recognized as revenue based on the membership period covered by the individual member's dues. Other revenues are recognized when earned and expenses are recognized when incurred.

**Equipment** – Acquisitions of property and equipment in excess of \$500 are capitalized. Equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets.

## MEADOWS STANDARDBRED OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

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### Summary of Significant Accounting Policies continued

**Cash Equivalents** - The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**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.

### Income Tax Status

The Association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and is exempt from state income taxes.

### Washington Trotting Association, Inc. (WTA) and Mountain Laurel Racing, Inc. (MLR) - Meadows Standardbred Owners Association Agreement

Effective January 1, 2008 and subsequent extensions to and including December 31, 2012, an agreement was signed between the MSOA and WTA and MLR. This contract specifies a mutually agreeable purse structure and set of related economic arrangements. The MSOA shall receive on a weekly basis all Pari-Mutuel receipts, net of the MSOA contributions subject to providing WTA/MLR with a continuing cash balance of \$100,000. MSOA is responsible for payment of its own administration costs as well as the following disbursements: Christian Harness Horsemen's Association dues; fire/disaster insurance premiums and sulky accident-related payments. In addition, WTA and MLR are obligated to make available without charges to MSOA, office space and to provide certain administrative services. The estimated value of the new office space is \$7,200 per year. Members should refer to the Agreement for a complete description of the Agreement's provisions.

# MEADOWS STANDARD BRED OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

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## Concentration of Credit Risk

MSOA maintains several bank accounts consisting of checking accounts and a money market account all at one financial institution. Beginning December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC (Federal Deposit Insurance Corporation) insured institutions. All other accounts held at an institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor, per insured depository institution for each account ownership category. As of December 31, 2011 and 2010, cash at this institution exceeds the insured limits by \$5,494,922 and \$4,365,525 respectively.

MSOA also maintains several certificate of deposit accounts. These accounts are commonly referred to as Certificate of Deposit Account Registry Service ("CDARS") and are divided among various banks in their network to obtain full FDIC insurance coverage. The amount invested in CDARS as of December 31, 2011 and 2010 was \$1,001,882 and \$1,002,317 respectively.

## Lease Commitments

The Association leases office equipment. Lease expense for the year was \$12,872 and future lease commitments are as follows:

Year	Amount
2012	\$ 2,605
2013	\$ 2,605
2014	\$ 651
2015	\$ -0-
2016	\$ -0-

## MEADOWS STANDARDBRED OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

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### Restricted Cash and Escrow Funds

Pursuant to Title 4, Pennsylvania Consolidated Statute, Section 1406, distributions of gaming funds from the Pennsylvania Racehorse Development Fund must be used for horse racing purses and pension and health benefits for horsemen and horsewomen. The Association acts as a fiduciary in the collection and dispersal of these funds. On the accompanying financial statements the funds have been recorded as restricted cash and a corresponding liability as funds held in escrow.

Transactions for 2011 are as follows:

	<u>Purses</u>	<u>Benefits</u>	<u>Total</u>
Escrow balance at January 1, 2011	\$ 1,789,362	\$ 1,431,729	\$ 3,221,091
Gaming funds from WTA	29,258,043	1,835,192	31,093,235
Interest income	<u>9,621</u>	<u>4,769</u>	<u>14,390</u>
	<u>29,267,664</u>	<u>1,839,961</u>	<u>31,107,625</u>
Purse payments to WTA	(29,307,340)	-0-	(29,307,340)
Payments for health & welfare benefits	-0-	(1,917,736)	(1,917,736)
Expenses	<u>-0-</u>	<u>(40,829)</u>	<u>(40,829)</u>
	<u>(29,307,340)</u>	<u>(1,958,565)</u>	<u>(31,265,905)</u>
Escrow balance at December 31, 2011	\$ <u>1,749,686</u>	\$ <u>1,313,125</u>	\$ <u>3,062,811</u>

Transactions for 2010 are as follows:

	<u>Purses</u>	<u>Benefits</u>	<u>Total</u>
Escrow balance at January 1, 2010	\$ 2,283,765	\$ 1,377,613	\$ 3,661,378
Gaming funds from WTA	24,814,152	1,874,806	26,688,958
Interest income	<u>16,975</u>	<u>11,020</u>	<u>27,995</u>
	<u>24,831,127</u>	<u>1,885,826</u>	<u>26,716,953</u>
Purse payments to WTA	(25,325,517)	-0-	(25,325,517)
Payments for health & welfare benefits	-0-	(1,799,195)	(1,799,195)
Expenses	<u>(13)</u>	<u>(32,515)</u>	<u>(32,528)</u>
	<u>(25,325,530)</u>	<u>(1,831,710)</u>	<u>(27,157,240)</u>
Escrow balance at December 31, 2010	\$ <u>1,789,362</u>	\$ <u>1,431,729</u>	\$ <u>3,221,091</u>

The Pennsylvania Department of Revenue calculates weekly gaming funds to be distributed for the benefit of horsemen and horsewomen by each gaming licensee. As licensee, Washington Trotting Association wire transfers this amount to MSOA's bank account.

# 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).

(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](http://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).

MSOA  
Appendix 5

**Members**

<b>State</b>	<b>Number of Members</b>
DE	3
FL	17
IL	11
KY	1
MA	3
MD	5
MD	3
ME	1
MI	1
MS	2
NC	1
NJ	4
NY	12
OH	159
Ontario, CN	3
PA	572
TN	1
VA	2
VT	2
WV	3
Total	<u>806</u>

**Members**

<b>Category</b>	<b>Number of Members</b>
Driver	8
Driver Trainer	31
Driver Trainer Groom	3
Groom	103
Groom Owner	32
Owner	362
Owner Driver	7
Owner Driver Groom	1
Owner Driver Trainer Groom	8
Owner Trainer	64
Owner Trainer Driver	168
Owner Trainer Groom	9
Trainer	8
Trainer Groom	2
	<u>806</u>

**Health Plan**

<b>State</b>	<b>Number of Participants</b>
PA	80
OH	6
Total	<u>86</u>

Health Plan	
Category	Number of Participants
Driver	4
Employee	2
Groom	1
Spouse	3
Trainer	15
Trainer Driver	61
	<hr/> 86

Retirement Plan				
State	Number of Participants - Drivers	Number of Participants - Trainers	Number of Participants - Grooms	Number of Participants - Total
PA	24	118	45	187
OH	1	24	3	28
FL	0	2	1	3
MN	0	1	0	1
ME	0	1	0	1
DE	0	1	0	1
Unknown	1	6	0	7

Retirement Plan	
Category	Number of Participants
Drivers	26
Trainers	153
Grooms	49
	<hr/> 228

Retirement Plan	
Trainers	
Range of Starts	Number of Starts
35-69	57
70-104	16
105-139	23
>=140	57
	<hr/> 153
Drivers	
Range of Starts	Number of Starts
50-99	2
100-149	5
150-199	2
>=200	17
	<hr/> 26

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