THE PENNSYLVANIA DIVISION, HORSEMEN'S BENEVOLENT & PROTECTIVE ASSOCIATION HEALTH BENEFIT PLAN

FINANCIAL REPORT

DECEMBER 31, 2012

CONTENTS

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Independent Auditor's Report

Board of Trustees and Secretary Zogby, Pennsylvania Office of the Budget
The Pennsylvania Division, Horsemen's Benevolent
& Protective Association Health Benefit Plan

Report on the Financial Statements

We have audited the accompanying financial statements of The Pennsylvania Division, Horsemen's Benevolent & Protective Association Health Benefit Plan (Health Benefit Plan), which comprise the statement of net assets available for Plan benefits as of December 31, 2012, and the related statements of changes in net assets available for Plan benefits and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for Plan benefits of the Health Benefit Plan as of December 31, 2012, and the changes in its net assets available for Plan benefits and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Maher Duessel

Harrisburg, Pennsylvania
June 30, 2013

THE PENNSYLVANIA DIVISION,
HORSEMEN'S BENEVOLENT & PROTECTIVE ASSOCIATION
HEALTH BENEFIT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
December 31, 2012

		2012
Assets		
Cash and cash equivalents	$	203,744
Due from the Association		6,973
Property and equipment - net of accumulated depreciation		158,485
Total Assets	$	369,202
Liabilites and Net Assets		
Accounts payable	$	8,614
Net assets available for plan benefits		360,588
Total Liabilities and Net Assets	$	369,202

See Notes to Financial Statements.

THE PENNSYLVANIA DIVISION,
HORSEMEN'S BENEVOLENT & PROTECTIVE ASSOCIATION
HEALTH BENEFIT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
Year Ended December 31, 2012

	2012
Additions To Net Assets Attributed To:	
Plan contributions	$ 158,179
Horsemen bookkeeper reverts	55,825
Rental income	6,973
Miscellaneous	2,878
Interest income	9
Total additions	223,864
Deductions From Plan Assets Attributed To:	
Payments for	
Medical benefits	141,582
Dental benefits	106,993
Vision benefits	35,205
Death benefits	-
Chaplain benefits	26,760
Miscellaneous benefits	-
	310,540
Administrative Expenses:	
Professional services	13,250
Utilities and maintenance	11,036
Plan administration	3,015
Depreciation	4,713
	32,014
Total deductions	342,554
Changes in net assets	(118,690)
Net Assets Available for Plan Benefits:	
Beginning, as previously stated	484,204
Prior period adjustment	(4,926)
Beginning, as adjusted	479,278
Ending	$ 360,588

See Notes to Financial Statements.

THE PENNSYLVANIA DIVISION,
HORSEMEN'S BENEVOLENT & PROTECTIVE ASSOCIATION
HEALTH BENEFIT PLAN

STATEMENT OF CASH FLOWS
Year Ended December 31, 2012

		2012
Cash Flows From Operating Activities:		
Changes in net assets	$	(118,690)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation		4,713
Changes in assets and liabilities:		
Decrease in:		
Accounts receivable		55,759
Increase in:		
Accounts payable		3,688
Net cash used in operating activities		(54,530)
Cash Flows From Investing Activities:		
Purchase of capital assets		(162,055)
Net decrease in cash and cash equivalents		(216,585)
Cash and Cash Equivalents:		
Beginning		-
Ending	$	(216,585)

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of the Plan

The following description of The Pennsylvania Division, Horsemen's Benevolent & Protective Association Health Benefit Plan (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description on the Plan's provisions.

General Benefits: The Plan provides health benefits (hospital, surgical, major medical, dental, vision), death and emergency benefits (determined on a financial need basis and approved by the Benevolence Committee) covering Trainers (Members) who have their horses stabled on a full-time basis at Penn National Race Course or another stabling area approved by the Association at least 30 days prior to the date his/her participation is to commence at Presque Isle Race Course; 60 days prior to commence at Penn National Race Course. Additionally, to qualify, the Trainers must be duly licensed by the Pennsylvania State Horse Racing Commission and have their primary place of business in Pennsylvania.

Other eligible participants of the Plan include Trainers' employees. The Plan pays benefits to Member/Employees who are employed on a substantially full-time basis and their dependents up to age 19. No Member shall become a participant until he has completed an application. The Plan also provides funding for a free health clinic for trainers and grooms. The Plan does not pay benefits for the common cold and/or other minor procedures, as these services are provided by a doctor on-site through a contract with the Plan.

Contributions: Per the live racing agreements, Mountainview Thoroughbred Association provides funding to the Association by allocating 2% of the total purses paid to the Horsemen. The payments are to be made to the Association within 10 days after the end of each month. The plan is funded at the discretion of the Association's board and it has been customary practice to fund the Plan by allocating 1% of the monthly purses to the Horsemen, to pay for the benefits of its members, as described in the Plan agreement. The live racing agreement also provides that all unclaimed inactive Horsemen's bookkeeper accounts shall be turned over to the Association for purposes described in the Plan agreement.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The Plan's financial statements have been prepared using the accrual basis of accounting. The accrual basis of accounting is in accordance with accounting principles generally accepted in the United States of America and provide that revenue be recognized when earned and expenses be recorded when the corresponding liability is incurred.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Property and Equipment: Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the individual assets. The Plan follows the practice of capitalizing expenditures for property and equipment with a cost greater than $1,000 and a useful life greater than one year.

Administrative Fees: Administrative expenses are paid by the Plan if not paid by the Association.

Subsequent Events: In preparing these financial statements, the Plan has evaluated subsequent events through the Independent Auditor's report date, which is the date the financial statements were available to be issued.

Note 3. Cash and Cash Equivalents

The total amount being carried as cash represents a petty cash account, the operating (checking account) and an interest-bearing money market account. At times, these deposits may exceed federally insured limits. The Plan has not experienced any loss from maintaining its cash accounts in excess of federally insured limits. Management believes it is not exposed to any significant credit risks on its cash accounts.

Note 4. Property and Equipment

The following is a summary of property and equipment, at cost less accumulated depreciation, at December 31:

	2012
Building - Clinic/laundromat	$ 157,512
EKG machine	3,433
Security System	4,543
	165,488
Less: Accumulated depreciation	(7,003)
	$ 158,485

Depreciation of property and equipment amounted to $4,713 for 2012.

NOTES TO FINANCIAL STATEMENTS

Note 5. Related Party Transaction

The Plan charges rent to the Pennsylvania Horsemen Benevolent & Protective Association, Inc.(Association) for the portion of the Building being used for laundry services by the Association. As of December 31, 2012, the Association owed rent to the Plan of $6,973.

Note 6. Plan Termination

Under certain conditions, the Plan may be terminated. Upon termination, the assets then remaining shall be subject to the applicable provisions of the Plan then in effect and shall be used until exhausted to pay benefits to participants in the order of their entitlement.

Note 7. Tax Status

The Plan Sponsor and legal counsel do believe that the Plan is qualified and continues to operate as designed. Plan contributions are non-taxable as the funds are used for the payment of benefits under a "medical benefits plan." However, the Trust established to hold Plan assets is not exempt from income tax, with the net investment income (after expenses) subject to tax. The Plan files an annual tax return, U.S. Income Tax Return for Estates and Trusts, for each year ending December 31. The filed tax return is subject to examination by the Internal Revenue Service generally for three years after it is filed.

Additionally, an advisory opinion was sought that the benefits provided did not constitute a plan that was subject to the Employee Retirement Income Security Act of 1974 and its reporting requirements. On February 13, 1995, the U.S. Department of Labor issued an opinion that stated the Health Benefit Plan was not subject to the Employee Retirement Income Security Act of 1974 and the annual filing requirement of preparing Federal Form 5500.

Note 8. Donated Services

A portion of the Plan's functions are conducted by unpaid volunteer officers and committees. The value of this contributed time is not reflected in the accompanying financial statements because it is not susceptible to objective measurement or valuation.

Note 9. Prior Period Adjustment

As of December 31, 2012, the Plan changed its basis of accounting from modified cash to accrual, in accordance with generally accepted accounting principles ("GAAP"). A change in the Commonwealth of Pennsylvania's Fiscal Code mandated the Plan prepare GAAP financial statements. The prior period adjustment relates to vendor payables as of the year ended December 31, 2011.