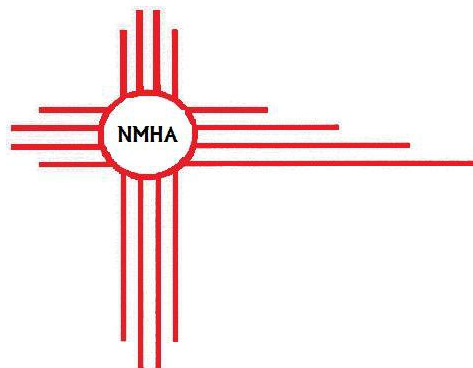


NEW MEXICO HORSEMEN'S ASSOCIATION

FINANCIAL STATEMENTS — MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2021

TOGETHER WITH INDEPENDENT AUDITORS' REPORT



NEW MEXICO HORSEMEN'S ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Mexico Horsemen's Association
Albuquerque, New Mexico

Opinion

We have audited the accompanying financial statements of New Mexico Horsemen's Association (a New Mexico nonprofit corporation) which comprise the statement of assets, liabilities, and net assets—modified cash basis as of December 31, 2021, and the related statements of revenues, expenses, and changes in net assets—modified cash basis and functional expenses—modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Mexico Horsemen's Association as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with the modified cash basis of accounting as described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Mexico Horsemen's Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New Mexico Horsemen's Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Mexico Horsemen's Association's ability to continue as a going concern for a reasonable period.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited New Mexico Horsemen's Association's financial statements for the year ended December 31, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report originally dated November 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, presented as Schedules 1 - 3 on pages 15 - 17, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole, on the modified cash basis of accounting as described in Note 2.

Taylor Roth and Company PLLC

Taylor, Roth and Company, PLLC
Certified Public Accountants
Albuquerque, New Mexico
November 16, 2022

NEW MEXICO HORSEMEN'S ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,288,257	\$ 2,268,138
Investments, at cost (Note 4)	1,063,775	568,084
Cash held for others (Note 5)	15,754,089	2,284,411
Property and equipment, net (Note 6)	<u>156,448</u>	<u>166,406</u>
Total assets	<u><u>\$ 18,262,569</u></u>	<u><u>\$ 5,287,039</u></u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Payroll taxes payable	\$ 5,253	\$ 4,067
Cash held for medical assistance (Note 5)	39,930	-
Cash held for others (Note 5)	<u>15,754,089</u>	<u>2,284,411</u>
Total liabilities	<u>15,799,272</u>	<u>2,288,478</u>
<u>Net assets</u>		
Without donor restrictions		
Undesignated	1,689,309	2,189,505
Net investment in property and equipment	156,448	166,406
Board-designated (Note 7)	<u>552,745</u>	<u>550,662</u>
	2,398,502	2,906,573
With donor restrictions		
Purpose restrictions (Note 8)	<u>64,795</u>	<u>91,988</u>
Total net assets	<u>2,463,297</u>	<u>2,998,561</u>
Total liabilities and net assets	<u><u>\$ 18,262,569</u></u>	<u><u>\$ 5,287,039</u></u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO HORSEMEN'S ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Due from owner-members upon participation in a live racing event:				
1% of purse due to owner-member account	\$ 19,539	\$ -	\$ 19,539	\$ 206,353
\$2 Starter fee - PAC fund	-	5,170	5,170	23,974
\$5 Starter fee - Medical fund	4,630	-	4,630	65,715
Interest and investment income (Note 4)	21,727	-	21,727	25,098
20% interest from gaming accounts	139	-	139	1,172
Net assets released from restriction (Note 9)	32,363	(32,363)	-	-
Total revenue and other support	78,398	(27,193)	51,205	322,312
<u>Expense</u>				
Program services	514,872	-	514,872	578,019
Management and general	71,597	-	71,597	74,643
Total expense	586,469	-	586,469	652,662
Change in net assets	(508,071)	(27,193)	(535,264)	(330,350)
Net assets, beginning of year	2,906,573	91,988	2,998,561	3,328,911
Net assets, end of year	\$ 2,398,502	\$ 64,795	\$ 2,463,297	\$ 2,998,561

The accompanying notes are an integral part of these financial statements

NEW MEXICO HORSEMEN'S ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020
	Program Services	Management and General	Total	Total
Salaries	\$ 178,643	\$ 32,319	\$ 210,962	\$ 202,694
Payroll taxes and benefits	40,302	7,291	47,593	44,182
Legal services (Note 13)	190,026	-	190,026	5,768
Lobbyist	32,363	-	32,363	32,362
Dues and subscriptions	16,591	3,001	19,592	2,532
Office expense	14,939	2,703	17,642	15,062
Accounting services	-	15,680	15,680	14,687
Occupancy	10,082	1,824	11,906	10,196
Telephone and internet	7,432	1,345	8,777	11,364
Insurance	5,705	1,032	6,737	12,113
Special donations (Note 10)	6,397	-	6,397	92,579
Bank fees	-	3,257	3,257	2,812
Board and staff travel	-	1,619	1,619	8,940
Auto	578	-	578	4,848
Medical assistance payments (Note 7)	-	-	-	144,332
Political campaign donations	-	-	-	22,800
Track consultant	-	-	-	6,080
Property taxes	-	-	-	5,767
Other expenses	3,382	-	3,382	2,815
	506,440	70,071	576,511	641,933
Depreciation	8,432	1,526	9,958	10,729
Total expenses	\$ 514,872	\$ 71,597	\$ 586,469	\$ 652,662

The accompanying notes are an integral part of these financial statements

NEW MEXICO HORSEMEN'S ASSOCIATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - DESCRIPTION OF THE ASSOCIATION

New Mexico Horsemen's Association (the Association) is a not-for-profit corporation organized in 1966 under Section 501(c)(4) of the Internal Revenue Code to actively promote the general welfare and health of licensed owners, trainers, and grooms (the Horsemen) who race in the state of New Mexico. Membership qualifications include a license as an owner or trainer of racehorses from the New Mexico Racing Commission and active involvement in racing within the state of New Mexico. Membership in the Association continues for so long as the member pays the required fees, which are detailed below. A member of the Association may choose to opt-out of membership upon written notification to the Association's Board of Directors.

The Association's primary responsibilities include:

- Keeping records of daily pari-mutuel handle for the purpose of purse money distribution at every New Mexico track;
- Maintaining separate bank accounts (the gaming accounts) for the Horsemen's share of racino gaming machine revenue at each track and disbursing those funds to the tracks for payment of race purses; and
- Maintaining and administering a medical benefit fund for the health and well-being of its members, utilizing statutory simulcast revenues for which the Association serves as custodian, and supplemented with Association board-designated revenues.

The Association is represented on the New Mexico Racing Commission's "Medications and Rules" committees and is present at the general meetings of the racing commission to protect the interests of Association members. The Association also serves as a liaison between the Horsemen, track management, and state regulatory authorities. The Association maintains a local office at each of the five tracks in New Mexico during live racing meets for the convenience of Association members.

The Association charges the following fees to membership for each live racing event within which the owner-member participates:

- General Fund fees – 1% of all purse monies due to an owner-member account;
- Medical Fund fees – \$5 from each owner-member for each live racing start (designated by the Board of Directors for medical fund revenues); and
- PAC Fund fees – \$2 from each owner-member for each live racing start and restricted to the Political Action Committee (PAC) Fund for legislative activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The Association prepares its financial statements on the modified cash basis of accounting. Under this method, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the related obligation is incurred. Modifications to the cash basis of accounting result from management's decision to record property and equipment and related depreciation and to record liabilities for payroll taxes due on salaries paid prior to year-end. Management has determined that the modified cash basis of accounting is an acceptable basis for the preparation of its financial statements in the circumstances.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

2. Basis of Presentation

The Association is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Association's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

3. Cash and Cash Equivalents

The Association considers all cash and highly liquid financial instruments with original maturities of three months or less when purchased to be cash and cash equivalents.

4. Investments

Investments in certificates of deposit and mutual funds are recorded at cost and subsequent write-ups or write-downs to fair value to recognize unrealized gains and losses are not recorded. Investments are reflected in the *Statement of Assets, Liabilities, and Net Assets—Modified Cash Basis* at cost until they become worthless or are sold. Likewise, interest on investments in certificates of deposit is recognized when received, and accrued interest receivable has not been recorded. Interest is paid monthly or semi-annually on certificates of deposit.

5. Property and Equipment

The Association follows the practice of capitalizing all expenditures for land, buildings, and equipment in excess of \$500. Property and equipment are carried at cost and are being depreciated using the straight-line method over their estimated useful lives of 3 to 40 years. Maintenance and repairs are charged to expense in the period incurred.

6. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

6. Contributions (concluded)

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

7. Estimates

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

8. Functional Reporting of Expenses

For the year ended December 31, 2021, the costs of providing various programs and other activities are summarized on a functional basis in the *Statement of Revenues, Expenses, and Changes in Net Assets—Modified Cash Basis* and in the *Statement of Functional Expenses—Modified Cash Basis*. Expenses that are attributable to more than one program or supporting function are allocated by the Association on the basis of time and effort. Significant costs allocated according to this basis include: salaries and related payroll costs, office expense, occupancy, insurance and depreciation. All other costs are assigned directly to the program or functional area benefited.

9. Income Taxes

The Association has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(4). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

10. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

11. Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

12. Subsequent Events

Management has evaluated subsequent events through November 16, 2022, the date the financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Association's financial assets at December 31, 2021:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 17,042,346
Investments	<u>1,063,775</u>
Financial assets available at year-end	<u>18,106,121</u>
Less amounts not available for operations within one year:	
Cash held for others	15,754,089
Net assets with purpose restrictions	64,795
Net assets with board restrictions, less 2021 estimated expenses	<u>477,745</u>
	<u>16,296,629</u>
Financial assets available to meet general operating expenditures within the next 12 months	<u><u>\$ 1,809,492</u></u>

The Association's goal is generally to maintain financial assets to meet 6 months of operating expenses, estimated at \$300,000. As part of its liquidity plan, excess cash is invested in short- and long-term investments, including mutual funds and certificates of deposit.

NOTE 4 - INVESTMENTS

As of December 31, 2021, investments, which are carried at cost, included the following:

<u>Description</u>	<u>Amount</u>
Certificate of deposit, matures 1/12/22, 0.10%	\$ 240,000
Certificate of deposit, matures 4/08/22, 0.10%	250,000
Certificate of deposit, matures 4/21/22, 0.10%	250,000
Certificate of deposit, matures 10/11/22, 3.20%	250,000
Mutual funds	<u>73,775</u>
Total	<u><u>\$ 1,063,775</u></u>

Investment income of \$21,727 consisted of interest and dividends earned on investment and bank accounts.

NOTE 5 - CASH HELD FOR OTHERS

Racino Gaming Purse Funds

The Association receives 20% of the interest earned on these accounts as an administrative fee, which accounted for \$139 in revenue for the year ended December 31, 2021.

NOTE 5 - CASH HELD FOR OTHERS (concluded)

The Association does not have any ownership interests in the individual racetracks, nor does the Association exercise any control over the racetracks. Accordingly, there has been no consolidation of the financial position and operations of these racetracks in the Association's financial statements. As of December 31, 2021, cash balances, by track, included the following:

<u>Description</u>	<u>Amount</u>
Sunland Park	\$ 8,284,524
SunRay Park	3,188,543
The Downs at Albuquerque	2,494,043
Ruidoso Downs	1,372,128
Zia Park	414,851
Total	<u>\$ 15,754,089</u>

Cash balances for these gaming accounts are subject to concentration of risk, as more fully described in Note 11.

Medical Fund

The Association also serves as a custodian and administrator of funds allocated by New Mexico Statute for medical expenses of members of the Association (the medical fund). Statutory amounts allocated to the medical fund are 1) 50% of the net retained of live handle after expenses to purses from simulcast racing events; and 2) .50% of the gross amount wagered on simulcast horse races broadcast to a racetrack in New Mexico. Although the Association can set the policies for the amount and timing of disbursements from the medical fund, the Association does not have variance power over the ultimate beneficiary of these receipts, and as a result, these funds are not recorded as revenue or expense of the Association.

Members of the Association are eligible for medical fund payments as follows:

<u>Eligibility</u>	<u>Annual Limit</u>
Illness - trainers, owners, other staff, and immediate family (per family)	\$ 1,500
Accident - trainers, owners, grooms, and other staff	\$ 1,500
Insurance policyholders - trainers, owners, other staff, and immediate family (per family)	\$ 1,250
Insurance policyholders - other staff	\$ 1,250

Amounts for accident and illness may be combined for events occurring in the same year. Those over age 65 receive an extra \$350 per year for illness.

During the year ended December 31, 2021, the Association received \$158,131 in funds dedicated to the medical fund. The Association disbursed \$118,201 of these funds during the year, and \$39,930 restricted cash was on hand at year-end.

NOTE 6 - PROPERTY AND EQUIPMENT

At December 31, 2021, property and equipment included the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 30,000
Building and improvements - state office	235,792
Building and improvements - Sunland Park	18,484
Furniture, fixtures, and equipment	36,671
Total	320,947
Less: accumulated depreciation	(164,499)
Net property and equipment	<u>\$ 156,448</u>

Depreciation expense was \$9,958 for the year ended December 31, 2021.

NOTE 7 - BOARD-DESIGNATED NET ASSETS

As described in Note 5, the Association administers a statutorily mandated medical fund for the benefit of the Association's membership, and the claims for benefit payments have historically exceeded funds allocated by New Mexico Statute. In order to ensure that sufficient resources would be available to cover medical fund payments, in April 2010, the Board of Directors designated Association revenues from the \$5 live racing start fee for the medical fund. Once the statutorily allocated funds are exhausted (described in Note 5), the Association utilizes board-designated funds.

During the year ended December 31, 2021, activity in board-designated net assets included:

<u>Description</u>	<u>Amount</u>
Board-designated net assets, beginning of year	\$ 550,662
Revenue:	
Starter fees (\$5 per start)	4,630
Interest income	114
Expense:	
Medical assistance payments	-
Bank fees	(2,661)
Board-designated net assets, end of year	<u>\$ 552,745</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

The Association maintains a political action committee (PAC) to provide on-going financial support of activities designed to address legislative causes for horsemen in the state of New Mexico. The Association solicits donations from owners that are restricted for PAC activities, and more specifically, the requested donation is \$2 for each live racing start. As of December 31, 2021, the Association had \$64,795 in net assets restricted by donors for PAC activities.

NOTE 9 - NET ASSETS RELEASED FROM DONOR RESTRICTION

During the year ended December 31, 2021, the Association spent \$32,363 for PAC activities.

NOTE 10 - SPECIAL DONATIONS

During the year ended December 31, 2021, the Association established protocols to provide additional assistance to membership during the COVID pandemic. A total of \$6,397 was expensed by the Association and described in these financial statements as “special donations.” These disbursements primarily included hardship payments made to membership (up to \$2,500 per member), rental payments made directly to racetracks for one-half of rent of horse stalls, and the purchase of hay and feed which was delivered to racetracks. A committee consisting of Association members was established by the Association to review and recommend the COVID hardship aid.

NOTE 11 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Association to credit risk consist principally of cash and cash equivalents and investments in certificates of deposit. At December 31, 2021, the combined bank balances of the Association and funds held for purse distribution at New Mexico racetracks (Note 5) are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each respective financial institution. The combined balances in excess of FDIC insurance limits totaled \$15,797,356 at December 31, 2021. (A detailed schedule of balances by financial institution is included in Schedule 3.)

NOTE 12 - RELATED PARTY TRANSACTIONS

The Association’s Board of Directors is generally comprised of members who are eligible for medical benefits as described in Note 5. As a result, it is routine that the Association makes benefit payments to Board members in accordance with the program’s standard policies and limits.

NOTE 13 - CONTINGENCIES

Litigation

In December 2020, the Association initiated litigation against the New Mexico Racing Commission (NMRC). The litigation was brought by the Association to respond, in part, to NMRC’s position that funds paid to the Association by membership from owners’ purse accounts are an improper diversion of purse monies.

On May 20, 2021, the Commissioners of the NMRC passed a motion instructing the Association and racetracks in New Mexico to cease the transfer of membership fees stemming from participation in horseracing in New Mexico. In response, on May 28, 2021, the Association filed an appeal in District Court asserting that membership fees do not come from the purse monies the Association collects, manages, accounts for, dispenses and disburses, but from voluntary membership fees charged to owners/Horsemen who have run a horse in a race.

NOTE 13 - CONTINGENCIES (concluded)

Litigation (concluded)

On August 6, 2021, the Court found in favor of the Association. NMRC appealed this decision, and on October 15, 2021, the Court did not support NMRC's position. However, as of November 16, 2022, NMRC continues to prohibit the transfer of membership fees to the Association, and as a result, management of the Association anticipates significant operating losses for the years ended December 31, 2021 and 2022.

Per a stipulated agreement and District Court order dated July 15, 2022, to disburse and dispense all gaming purse money held in trust by the NMHA, the Association transferred all funds held in their custody and referred to in this report as *Racino Gaming Purse Funds* to the five individual New Mexico racetracks. This transfer of funds took place between July 15 - 18, 2022.

On September 20, 2022, the District Court determined the NMRC improperly required Horsemen, through their purse accounts, to pay half of racetracks insurance premiums for jockeys and exercise riders, in violation of state statute. The Court stayed the order until at least March 18, 2023, "to allow the parties to consider legislative intervention, if appropriate."

On September 23, 2022, a separate District Court ruled in favor of the Horsemen that the NMRC was in contempt of the Court's earlier order of August 6, 2021. The Commission has yet to comply with the Court's order and at the September 23, 2022 hearing, the Court awarded the Horsemen attorney's fees and costs.

On October 27, 2022, a U.S. District Court dismissed a retaliation claim against all individual commissioners based on qualified immunity. However, a federal First Amendment retaliation claim against the NMRC remains.

In addition, in 2008, several members of the Association filed a lawsuit against the Association. There was no activity related to this action in 2021 or subsequent months, and no legal costs related to this issue were incurred. Management is of the opinion that future actions related to this suit are unlikely.

COVID-19 Pandemic

Since March 2020, the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses as well as travel restrictions. The effect and scope of the COVID-19 pandemic on the horseracing industry in New Mexico, and therefore the Association, has been far-reaching. In mid-March 2020, the governor of New Mexico suspended all horseracing and associated gaming activities at racetrack casinos (racinos) in the state. The suspension of horseracing continued until mid-May 2020. However, when live racing commenced in mid-May, one of the five tracks failed to open, and two other tracks opened late with limited race days. Furthermore, the racinos were prohibited from opening, significantly impacting the purse structure of live racing which is dependent upon the proceeds of racino gaming. There continues to be considerable uncertainty about the effects of the pandemic on horseracing and racino gaming, and the related financial impact, if any, cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

NEW MEXICO HORSEMEN'S ASSOCIATION
SCHEDULE 1

SCHEDULE OF ASSETS, LIABILITIES, AND NET ASSETS -
MODIFIED CASH BASIS
PRESENTED BY FUND
DECEMBER 31, 2021

	General Fund	Medical Fund	PAC Fund	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 630,787	\$ 592,675	\$ 64,795	\$ 1,288,257
Investments, at cost	1,063,775	-	-	1,063,775
Cash held for others	15,754,089	-	-	15,754,089
Property and equipment, net	156,448	-	-	156,448
Total assets	<u>\$ 17,605,099</u>	<u>\$ 592,675</u>	<u>\$ 64,795</u>	<u>\$ 18,262,569</u>
<u>Liabilities and net assets</u>				
<u>Liabilities</u>				
Payroll taxes payable	\$ 5,253	\$ -	\$ -	\$ 5,253
Cash held for others	15,754,089	39,930	-	15,794,019
Total liabilities	<u>15,759,342</u>	<u>39,930</u>	<u>-</u>	<u>15,799,272</u>
<u>Net assets</u>				
Without donor restrictions				
Undesignated	1,689,309	-	-	1,689,309
Net investment in property and equipment	156,448	-	-	156,448
Board-designated	-	552,745	-	552,745
	1,845,757	552,745	-	2,398,502
With donor restrictions				
Purpose restrictions	-	-	64,795	64,795
Total net assets	<u>1,845,757</u>	<u>552,745</u>	<u>64,795</u>	<u>2,463,297</u>
Total liabilities and net assets	<u>\$ 17,605,099</u>	<u>\$ 592,675</u>	<u>\$ 64,795</u>	<u>\$ 18,262,569</u>

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NEW MEXICO HORSEMEN'S ASSOCIATION
SCHEDULE 2

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
PRESENTED BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>	<u>Medical Fund</u>	<u>PAC Fund</u>	<u>Total</u>
<u>Revenue and other support</u>				
Due from owner-members upon participation in a live racing event:				
1% of purse due to owner-member account	\$ 19,539	\$ -	\$ -	\$ 19,539
\$2 Starter fee - PAC fund	-	-	5,170	5,170
\$5 Starter fee - Medical fund	-	4,630	-	4,630
Interest and investment income	21,613	114	-	21,727
20% interest from gaming accounts	139	-	-	139
	<u>41,291</u>	<u>4,744</u>	<u>5,170</u>	<u>51,205</u>
Total revenue and other support				
<u>Expense</u>				
Program services	482,509	-	32,363	514,872
Management and general	68,936	2,661	-	71,597
	<u>551,445</u>	<u>2,661</u>	<u>32,363</u>	<u>586,469</u>
Total expense				
Change in net assets	(510,154)	2,083	(27,193)	(535,264)
Net assets, beginning of year	<u>2,355,911</u>	<u>550,662</u>	<u>91,988</u>	<u>2,998,561</u>
Net assets, end of year	<u>\$ 1,845,757</u>	<u>\$ 552,745</u>	<u>\$ 64,795</u>	<u>\$ 2,463,297</u>

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NEW MEXICO HORSEMEN'S ASSOCIATION

SCHEDULE 3

CASH DEPOSITS AND DEPOSITORY INSURANCE COVERAGE -

MODIFIED CASH BASIS

DECEMBER 31, 2021

	Bank Balances at Depository Institutions		
	Total	Insured FDIC	Uninsured
<u>Bank of Albuquerque</u>			
NMHA Checking	\$ 1,557		
NMHA Savings	105,166		
Simulcast Business Investor Fund	147,800		
PAC Fund Checking	65,545		
Total Bank of Albuquerque	320,068	\$ 250,000	\$ 70,068
<u>PNC Bank</u>			
Ruidoso Gaming Money Market	1,342,128		
Ruidoso Gaming Treasury Mgmt Analysis Checking	30,000		
Total BBVA Compass Bank	1,372,128	250,000	1,122,128
<u>Wells Fargo Bank</u>			
NMHA Checking	14,621		
NMHA Savings	106,199		
Simulcast Business Checking	33,632		
Simulcast Business HY Savings	426,068		
Downs of ABQ Gaming Business Checking	500,000		
Downs of ABQ Gaming Business HY Savings	1,994,043		
State Fair Gaming	-		
Sunland Gaming Business Checking	760,000		
Sunland Gaming Business HY Savings	7,524,524		
Zia Gaming Business Checking	298,749		
Zia Gaming Business HY Savings	116,100		
Total Wells Fargo Bank	11,773,936	250,000	11,523,936
<u>Wells Fargo Securities, LLC</u>			
NMHA brokered CDs (3 each for \$250,000, 1 for \$240,000)	990,000	990,000	-
<u>U.S. Bank</u>			
NMHA Preferred Business Money Market	142,681		
SunRay Gaming Money Market	3,188,543		
Total U.S. Bank	3,331,224	250,000	3,081,224
Total	\$ 17,787,356		\$ 15,797,356

Not covered by FDIC insurance

Mainstay Income Builder Fund**	\$ 73,775
Wells Fargo Money Market Mutual Fund - Gov Inst**	\$ 267,024

**Member Securities Investor Protection Corporation (SIPC), a non-governmental entity providing protection for balances up to \$250,000 See independent auditors' report