NEW YORK STATE THOROUGHBRED BREEDING AND DEVELOPMENT FUND CORPORATION

(A Component Unit of the State of New York)

FINANCIAL REPORT

DECEMBER 31, 2020

NEW YORK STATE THOROUGHBRED BREEDING AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)

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INDEPENDENT AUDITOR'S REPORT

To the Members
New York State Thoroughbred Breeding and Development Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the New York State Thoroughbred Breeding and Development Fund (the Fund), a component unit of the State of New York, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 5, schedules of proportionate share of the net pension liability (asset), the schedules of Fund contributions, and the schedule of total OPEB liability on pages 31-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021, on our consideration of New York State Thoroughbred Breeding and Development Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New York State Thoroughbred Breeding and Development Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New York State Thoroughbred Breeding and Development Fund's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY
March 23, 2021

Management of the New York State Thoroughbred Breeding and Development Fund Corporation (the Fund) offers readers of the Fund's financial statements this analysis of the financial activities of the Fund for the years ended December 31, 2020 and 2019.

Following this Management's Discussion and Analysis (MD&A) are the financial statements of the Fund together with the notes thereto. Please read the MD&A in conjunction with the Fund's financial statements and the accompanying notes in order to obtain a full understanding of the Fund's financial position and results of operations.

The Fund was created by an Act of the State of New York (the State), as more fully described in note 1 of the financial statements, and commenced operations in 1973. The Fund's mission statement is: "To promote by monetary incentives the responsible breeding of quality thoroughbred racehorses in keeping with the founding legislation to preserve New York's irreplaceable farmland."

OVERVIEW OF FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Fund follows enterprise fund reporting; therefore, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

FINANCIAL ANALYSIS OF THE FUND

Net Position

The following changes in Net Position are the result of a 40% drop in revenues earned by the Fund as a result of the ongoing COVID-19 pandemic:

- Cash and equivalents decreased by $1.3 million in 2020 as compared to 2019.
- Awards payable decreased by $1.9 million due to the reduction in the number of races at New York racetracks in November and December 2020.
- An increase in the award holdback rate from 10 percent to 50 percent in June 2020 resulted in an increase of $1.9 million in the Awards payable, reserve. The Fund anticipates returning the majority of these funds to award earners in March 2021.
- By statute, the Fund pays the Harry M. Zweig Memorial Fund of Cornell University 2 percent of its operating revenues to fund equine research. The amount payable to Cornell University for 2020 is $234,030, a decrease of $154,419 from the 2019 contribution.
- A decrease in 2020 VLT-Aqueduct revenues allowed the Fund to recapture 100 percent of VLT revenues from additional sources. This eliminated the VLT payable to the NY Gaming Commission in 2020.

In accordance with the Racing Pari-mutuel Wagering and Breeding Law enacted by the New York State Legislature in 1973, moneys of the Fund in excess of $75,000 on hand at the end of the calendar year must be paid to the State and to the regional off-track betting corporations.

The following table summarizes the Fund's net position for 2020 and 2019:

Assets:	2020	2019
Cash and equivalents	$4,703,418	$6,031,706
Receivables, net	1,094,433	1,254,248
Other assets, net	222,967	208,630
Total assets	$6,020,818	$7,494,584
Deferred outflows of resources - pensions/OPEB	$ 373,072	$ 270,964
Total Assets and Deferred Outflow of Resources	$6,393,890	$7,765,548
Liabilities:		
Accounts payable and accrued expenses	$ 145,760	$ 217,606
Awards payable	842,711	2,759,612
Awards payable reserve, current	3,469,688	1,528,252
Payable to Harry M. Zweig Memorial Fund	234,030	388,449
Purse enrichments payable	4,265	204,582
VLT payable - NY Gaming Commission	-	1,210,420
Postemployment benefits (OPEB) liability	1,298,238	1,120,319
Net pension liability - proportionate share	278,275	86,151
Total liabilities	$6,272,967	$7,515,391
Deferred inflows of resources - pensions/OPEB	$ 45,923	$ 175,157
Net position	$ 75,000	$ 75,000
Total Liabilities, Deferred Inflows and Net Position	$6,393,890	$7,765,548

Operating Activities

Under founding statutes, the Fund receives revenue from on-track and off-track thoroughbred handle in New York, and breakage from regional off-track betting wagers. Handle accounted for approximately 30 percent and 28 percent of revenue in 2020 and 2019, respectively, while breakage is slightly greater than 2 percent of total operating revenue for both years.

The Fund obtained an additional contractual source of revenue from VLTs at Finger Lakes Gaming and Racetrack beginning in 2004, which provided approximately 5 percent and 7 percent of total operating revenue for 2020 and 2019, respectively. Further enhancing Fund revenues, Resorts World Casino New York City began operation of VLTs at Aqueduct Racetrack in late 2011. Statutory revenue received from this operation is approximately $4 million, or 35 percent of total operating revenue, in 2020 and $10.2 million, or 52 percent in 2019. A VLT recapture established in 2016 allows the Fund to maintain revenues from Resorts World VLTs at 2013 levels adjusted annually by the Consumer Price Index. The addition of $1,194,517 in 2020 and $951,225 in 2019 for the VLT recapture resulted in a combined percentage from all VLT revenue sources in 2020 of 50 percent versus 64 percent in 2019.

Effective January 1, 2014, legislation provided for the Fund to receive revenues from Advanced Deposit Wagering (ADW) sources. Total ADW revenue accounted for 16 percent of the Fund's total operating revenue in 2020 as compared to 5 percent in 2019. The increase is a result of the elimination of live, on-track handle at New York tracks when the tracks reopened in June 2020.

Total 2020 operating revenues of $11.7 million is $7.7 million less than 2019. The Fund anticipates paying approximately 96 percent of all breeder, stallion, and owner awards earned in 2020.

The following table summarizes the Fund's operating income for the years ended December 31, 2020 and 2019:

	2020	2019
Operating revenue:		
Handle revenue	$ 3,541,245	$ 5,406,541
ADW revenue	1,869,236	1,021,060
Breakage revenue	300,581	405,820
VLT commission	5,861,642	12,454,408
Other income	128,800	134,600
Total operating revenue	$ 11,701,504	$ 19,422,429
Operating expenses:		
Awards	$ 8,828,774	$ 15,468,435
Purse enrichments	1,062,109	1,789,669
Promotion	879,881	1,127,905
Administration	734,807	667,568
Harry M. Zweig Memorial Fund	234,030	388,449
Bad debt expense, net of recoveries	(11,466)	3,535
Total operating expenses	$ 11,728,135	$ 19,445,561
Operating income (loss)	$ (26,631)	$ (23,132)
Nonoperating revenue - interest income	26,631	35,909
Change in net assets	$ -	$ 12,777
Net postion at beginning of year	75,000	62,223
Net position at end of year	$ 75,000	$ 75,000

CONTACTING THE FUND'S FINANCIAL MANAGEMENT

This financial report is designed to provide readers with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the revenue that it receives. If you have questions about this report or need additional financial information, contact the Fund at 1 Broadway Center – 1st floor, Schenectady, New York 12305.

NEW YORK STATE THOROUGHBRED BREEDING AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2020	2019
Current assets:		
Cash and equivalents	$ 4,703,418	$ 6,031,706
Receivables, net	1,094,433	1,254,248
Prepaid expenses	54,479	4,544
Total current assets	5,852,330	7,290,498
Property and equipment, at cost:		
Office furniture and equipment	22,416	22,416
Vehicles	39,345	39,345
Software and website	272,312	272,312
	334,073	334,073
Less accumulated depreciation	(165,585)	(129,987)
Net property and equipment	168,488	204,086
Total assets	6,020,818	7,494,584
Deferred outflow of resources - pension	259,985	134,209
Deferred outflow of resources - OPEB	113,087	136,755
Total deferred outflows	373,072	270,964
Total Assets and Deferred Outflow of Resources	$ 6,393,890	$ 7,765,548

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2020	2019
Current liabilities:		
Accounts payable and accrued expenses	$ 145,760	$ 217,606
Awards payable	842,711	2,759,612
Awards payable reserve	3,469,688	1,528,252
Payable to Harry M. Zweig Memorial Fund	234,030	388,449
Purse enrichments payable	4,265	204,582
VLT payable - NY Gaming Commission	-	1,210,420
Total current liabilities	4,696,454	6,308,921
Long-term liabilities:		
Postemployment benefits liability	1,298,238	1,120,319
Net pension liability - proportionate share	278,275	86,151
Total liabilities	6,272,967	7,515,391
Deferred inflow of resources - OPEB	30,599	143,623
Deferred inflow of resources - pension	15,324	31,534
Total deferred inflows	45,923	175,157
Net position:		
Net investment in capital assets	168,488	204,086
Restricted - expendable	(93,488)	(129,086)
Total net position	75,000	75,000
Total Liabilities, Deferred Inflows, and Net Position	$ 6,393,890	$ 7,765,548

See accompanying notes to financial statements.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Operating revenue:		
Handle revenue	$ 3,541,245	$ 5,406,541
Advance Deposit Wagering revenue	1,869,236	1,021,060
Breakage revenue	300,581	405,820
VLT commission revenue	5,861,642	12,454,408
Registration and web advertising fees revenue	128,800	134,600
Total operating revenue	11,701,504	19,422,429
Operating expenses:		
Breeder awards	6,231,278	10,597,867
Stallion awards	1,436,576	2,646,566
Owner awards	1,160,920	2,224,002
FLRA breakage	62,109	89,669
Purse enrichment	1,000,000	1,700,000
Promotion	879,881	1,127,905
Administration	734,807	667,568
Harry M. Zweig Memorial Fund	234,030	388,449
Bad debt expense, net of recoveries	(11,466)	3,535
Total operating expenses	11,728,135	19,445,561
Operating income (loss)	(26,631)	(23,132)
Nonoperating revenue - interest income	26,631	35,909
Change in net position	-	12,777
Net position at beginning of year	75,000	62,223
Net position at end of year	$ 75,000	$ 75,000

See accompanying notes to financial statements.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Receipts from operations	$ 11,872,786	$ 19,383,652
Payments for awards and purses	(10,066,664)	(16,733,894)
Payments to Harry M. Zweig Memorial Fund	(388,449)	(390,689)
Payments to employees	(408,861)	(456,569)
Payments to contractors and suppliers	(2,363,731)	(1,477,554)
Net cash provided by (used in) operating activities	(1,354,919)	324,946
Cash flows from capital and related financing activities - acquisition of property and equipment	-	(35,411)
Cash flows from investing activities - interest earned	26,631	35,909
Net change in cash and equivalents	(1,328,288)	325,444
Cash and equivalents at beginning of year	6,031,706	5,706,262
Cash and equivalents at end of year	$ 4,703,418	$ 6,031,706
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ (26,631)	$ (23,132)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	35,598	32,858
Amortization of deferred inflows - pension (non-cash)	17,121	12,432
Amortization of deferred inflows - OPEB (non-cash)	69,242	15,496
Net change in deferred outflows and inflows related to pensions (non-cash)	(159,107)	(52,866)
Net change in deferred outflows and inflows related to OPEB (non-cash)	(158,599)	(158,976)
Bad debts	41,800	62,957
Changes in:		
Receivables	118,015	(98,199)
Prepaid expenses	(49,935)	1,999
Accounts payable and accrued expenses	(71,846)	(96,290)
Awards payable	(1,916,901)	512,457
Awards payable reserve	1,941,436	18,361
Purse enrichments payable	(200,316)	(6,606)
VLT payable - NY Gaming Commission	(1,210,420)	(32,528)
Harry M. Zweig Memorial Fund payable	(154,419)	(2,240)
Postemployment benefits liability	177,919	92,346
Pension liability	192,124	46,877
Net cash provided by (used in) operating activities	$ (1,354,919)	$ 324,946

See accompanying notes to financial statements.

(1) Organization

The New York State Thoroughbred Breeding and Development Fund Corporation (the Fund) is a public benefit corporation organized pursuant to Sections 251 through 257 of the Racing, Pari-mutuel Wagering and Breeding Law (the Law) enacted by the New York State Legislature in 1973. The Fund is a component unit of the State of New York (the State) and is included in the State's Comprehensive Annual Financial Report of the Comptroller as a public benefit corporation.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Fund have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

For the year ended December 31, 2020, the Fund adopted:

- GASB Statement No. 95 – "Postponement of the Effective Dates of Certain Authoritative Guidance". The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The Fund has elected to postpone the effective dates of certain provisions and discloses them in Note 13 to the financial statements.

(b) Assets, Liabilities and Net Position

- Receivables consist of handle, breakage, a percentage of Advanced Deposit Wagering (ADW), and a percentage of Video Lottery Terminal (VLT) revenue amounts which are reported at their outstanding unpaid principal balances. The Fund records revenues receivable at estimated fair value, net of an allowance based upon the estimated collectability. The allowance was $177,634 and $189,100 for 2020 and 2019, respectively.

- Retirement Plan - The Fund provides retirement benefits for its employees through contributions to the New York State Employees' Retirement System. The System provides various plans and options, some of which require employee contributions. Note 8 provides more information on the retirement plan.

(2) Summary of Significant Accounting Policies

(b) Assets, Liabilities and Net Position

- The Fund expenses advertising and promotion costs as incurred. Advertising costs for the years ended December 31, 2020 and 2019 amounted to $204,144 and $311,238, respectively. Promotion costs for the years ended December 31, 2020 and 2019 were $675,737 and $816,667, respectively.

- Other areas of assets, liabilities and net position are addressed throughout these footnotes.

(c) Deferred Outflows and Inflows of Resources

In the Statement of Net Position, in addition to assets, the Fund will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Fund has three items that qualify for reporting in this category. The first item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the Fund's proportion of the collective net pension asset or liability and difference during the measurement period between the Fund's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and changes in assumptions. The second item is the Fund contributions to the New York State and Local Employees' Retirement System (the System) and OPEB subsequent to the measurement date. The third item relates to the System and OPEB reporting number which represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Fund has two items that qualify for reporting in this category. The first item is related to pensions reported in the Statement of Net Position. This represents the net effect of the change in the Fund's proportion of the collective net pension liability related to its participation in the System and differences between the Fund's contributions and its proportionate share of total contributions to the System not included in pension expense. The second item is related to the System and OPEB reported in the Statement of Net Position. This represents the effects of the differences between actual and expected experience and changes of assumptions or other inputs.

(2) Summary of Significant Accounting Policies

(d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosures at the date of these financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(e) Property, Equipment and Depreciation

Property and equipment are reported at cost. Purchases and improvements over $1,000 are capitalized. Maintenance and repairs are expensed as incurred. For assets placed in service, depreciation and amortization is calculated over estimated useful lives of between 3 -10 years using the straight-line method.

(f) Subsequent Events

The Fund has evaluated subsequent events through the date of the auditor's report which is the date the financial statements were available to be issued. There were no subsequent events requiring recording or disclosure.

(g) Potential Impact of Coronavirus

The outbreak of COVID-19, a respiratory disease, which was first detected in a foreign country and has since spread to other countries, including the United States, has been characterized as a pandemic by the World Health Organization on March 11, 2020. The Fund's operations are heavily dependent on the number of races able to be held and ability for venues who generate revenue for the Fund to be open and operating at full capacity. As of the date of the audit report, the extent to which the pandemic may impact the supply chain, demand for services, contributions, and the Fund's future fiscal or operating results, is uncertain.

(3) Cash and Equivalents and Investments

The Fund's investment policies are governed by New York State Statute. Fund monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Fund is authorized to use demand accounts, certificates of deposit and short-term U.S. Treasury bills or notes.

Collateral is required for demand deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are outlined in chapter 623 of the laws of the State of New York.

(3) Cash and Equivalents and Investments

Custodial Credit Risk - This is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. As noted above, by State statute, all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2020 and 2019, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution's trust department or agent as part of the collateral used to secure all the institution's deposits from the State of New York.

(4) Receipt and Distribution of Revenue and Basis of Net Position

New York State Racing, Pari-Mutuel Wagering and Breeding law (the Law), Section 254, provides for Fund revenues from New York on-track and off-track thoroughbred handle and breakage from regional off-track betting wagers as well as from Video Lottery Terminal (VLT) gaming devices at Finger Lakes Gaming and Racetrack, and Resort World Casino-New York City.

- Handle: Handle of one-half of one percent (.5%) of the regular, multiple, exotic and super exotic wagers are paid to the Fund. The Fund receives an additional two-tenths of 1% (.2%) of live racing handle only at New York Racing Association (NYRA) tracks. However, under Section 905(4) of the Law, when out-of-state track retention rates vary from New York State retention rates, entities are entitled to pro-rate the difference. This reduces the overall handle received by the Fund to less than .5%. "Special Event" races, which include the Kentucky Derby, the Preakness and the Breeder's Cup, generate handle of one-half of one percent (.5%), as specified in Section 904 of the Law, with NYRA paying an additional .2%.

- Breakage: Twenty percent of New York State off-track betting breakage from bets on harness races and fifty percent on all other races is paid to the Fund and to the Agriculture and New York State Horse Breeding Development Fund; the Fund receives one half of such payments.

- VLT – Finger Lakes Gaming and Racetrack: The Fund receives revenue from VLT devices at Finger Lakes Gaming and Racetrack under statute at 1.25% of Net Win.

- VLT – Resort World Casino – New York City: In 2011, the Fund began to receive VLT device revenue from Resorts World Casino - New York City (RW) at the Aqueduct Racetrack at the rate of 1% of Net Win. The rate increased to 1.25% in October of 2012, and to 1.5% in October 2013. On October 15, 2016, RW entered into an agreement with Nassau OTB to host up to 1,000 VLT devices. Machines designated by RW to Nassau OTB will pay the Fund a reduced rate of .5% of Net Win. There were 1,000 VLT machines designated to Nassau OTB at both December 31, 2020 and 2019.

(4) Receipt and Distribution of Revenue and Basis of Net Position

- VLT – Nassau OTB and Suffolk OTB: The Fund receives .5% of VLT revenues from Nassau OTB and Suffolk OTB under New York State Tax Code, Section 1612. Amounts collected by the Fund in excess of the amount necessary to maintain payments from VLTs at RW at the same level realized in 2013, adjusted by the Consumer Price Index, must be returned to the New York Gaming Commission. The Fund recognized revenues of $1,194,517 and $951,225 and payables to the New York Gaming Commission of $-0- and $1,210,420 at December 31, 2020 and 2019, respectively.
- ADW: Effective January 1, 2014, New York State Racing, Pari-Mutuel Wagering and Breeding law, Section 115-b, provides for Fund revenues generated from out of state ADW handle from New York State residents.

Moneys received by the Fund are disposed and distributed, and the Fund's net position is maintained, in accordance with the Law, Section 254. The Fund is authorized to dispose and distribute the moneys received by it for the following purposes and no other:

- Awards: An amount as determined by the Fund but not in excess of: (a) 43% as awards to breeders of New York-breds finishing first, second, third and fourth in races, (b) 33% as awards to owners of New York-breds finishing first, second, third and fourth in open races, (c) 15% as awards to stallion owners, whose New York stallions have sired New York-breds finishing first, second, third and fourth in races. However, the Fund, with two-thirds vote of its Board of Directors, may increase these awards up to but not in excess of (a) 65% as awards to breeders, (b) 40% as awards to owners and (c) 20% as awards to stallion owners. On August 16, 2008 the Board approved a motion to limit the distribution of monies to first, second and third place finishing New York-breds effective September 1, 2008.
- Purse: An amount as determined by the Fund but not in excess of 44% to provide purse moneys for races exclusively for New York-breds entered in all races, the conditions of which have been approved by the Fund. In addition, 75% of in-state breakage revenue is to be provided to Finger Lakes Gaming and Racetrack for purse enrichment.
- Promotion: Up to 6% to advance and promote breeding and raising of thoroughbreds in New York. This cap will be decreased to 5% as of October 28, 2021. Due to the pandemic, the closure of racing and VLT establishments resulted in a 40% decrease in the Fund's total operating revenue for 2020. The Fund established budget cuts to limit promotional spending, but promotional expenses total 7.5% of total operating revenue at December 31, 2020, exceeding the cap by 1.5%
- Administration: Up to 5% for the administration and management of the Fund. This cap will be decreased to 4% as of October 28, 2021. Due to the pandemic, the closure of racing and VLT establishments resulted in a 40% decrease in the Fund's total operating revenue for 2020. The Fund established budget cuts to limit administration spending, but administration expenses total 6.3% of total operating revenues at December 31, 2020, exceeding the cap by 1.3%.

(4) Receipt and Distribution of Revenue and Basis of Net Position

- Equine research: An amount equal to 2% thereof for the promotion of equine research.

- At the end of any calendar year, any Fund net position on hand in excess of $75,000 shall be remitted to and vested in the State or the contributing Off-Track Betting Corporations.

Distribution of awards and purses is as follows:

	2020	2019
Breeder awards	$ 6,231,278	$ 10,597,867
Stallion awards	1,436,576	2,646,566
Owner awards	1,160,920	2,224,002
FLRA breakage	62,109	89,669
Purse enrichment	1,000,000	1,700,000
	$ 9,890,883	$ 17,258,104
Percentage of Operating Revenue	84.5%	88.9%

The awards payable reserve represents the retention of 10% of awards earned January 1, 2020 through March 15, 2020 and 50% of awards earned June 1, 2020 through December 31, 2020 as established in accordance with Fund policy. The increase was approved by the Board in May 2020 as a result of a decrease in revenues triggered by the COVID-19 pandemic. A portion of the reserve at December 31, 2020 will be released in March 2021.

(5) Investment Policy

The Fund's investment policy requires that all funds available for investment be deposited in interest-bearing accounts or fully secured certificates of deposit with New York State banks for the shortest possible terms and at the highest available interest rates, or in United States Treasury short-term bills or notes at the highest available rate. As of December 31, 2020 and 2019 the Fund maintained available funds in interest bearing checking accounts, since the rate of return was comparable to short-term Treasury bills.

(6) Property and Equipment

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Office furniture and equipment	$ 22,416	$ -	$ -	$ 22,416
Vehicles	39,345	-	-	39,345
Software and website	272,312	-	-	272,312
Total	334,073	-	-	334,073
Less accumulated depreciation/amortization	129,987	35,598	-	165,585
Net property and equipment	$ 204,086	$ (35,598)	$ -	$ 168,488

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
Office furniture and equipment	$ 25,106	$ 1,324	$ 4,014	$ 22,416
Vehicles	43,564	22,325	26,544	39,345
Software and website	260,550	11,762	-	272,312
Total	329,220	35,411	30,558	334,073
Less accumulated depreciation/amortization	127,687	32,858	30,558	129,987
Net property and equipment	$201,533	$ 2,553	$ -	$ 204,086

(7) Harry M. Zweig Memorial Fund

By law, 2% of operating revenue accruing to the Fund is to be used for the promotion of equine research through a fund of a land grant university within New York State. The Harry M. Zweig Memorial Fund of Cornell University was established for this purpose.

(8) Pension Plan

(a) Plan Descriptions and Benefits Provided

The Fund participates in the New York State and Local Employees' Retirement System (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (NYSCRF), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the NYSCRF and is the administrative head of the System. Benefits are established under

(8) Pension Plan

(a) Plan Descriptions and Benefits Provided

the provision of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Fund also participates in the Public Employees Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/inex.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 and before April 1, 2012 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. For employees joining on or after April 1, 2012, employee contribution rates under System tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	ERS
2020	$ 61,453
2019	62,415
2018	63,064

(b) Pension Liabilities. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, the Fund reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Fund's proportionate share of the net pension liability was based on a projection of the Fund's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Fund.

(8) Pension Plan

(b) Pension Liabilities. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Date	3/31/2020	3/31/2019
Net pension liability	$ 278,275	$ 86,151
Fund's proportion of the Plan's net pension liability	0.0010509%	0.0012159%

At December 31, 2020 and 2019 the Fund's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,378	$ -	$ 16,965	$ 5,783
Change in assumptions	5,603	4,838	21,655	-
Net difference between projected and actual earnings on pension plan investments	142,657	-	-	22,111
Changes in proportion and differences between the Fund's contributions and proportionate share of contributions	33,894	10,486	33,174	3,640
Fund's contributions subsequent to the measurement date	61,453	-	62,415	-
Total	$ 259,985	$ 15,324	$ 134,209	$ 31,534

Fund contributions subsequent to the March 31 measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(8) Pension Plan

(b) Pension Liabilities. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Year ended	ERS
2021	$ 35,510
2022	47,207
2023	56,806
2024	43,685
2025	-

(c) Actuarial Assumptions

The total pension liability as of the March 31 measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

Measurement date	March 31, 2020	March 31, 2019
Actuarial valuation date	April 1, 2019	April 1, 2018
Investment return	6.8%	7.0%
Salary scale	4.2% Average	4.2% Average
Decrement tables	April 1, 2010 - March 31, 2015 ERS's Experience	April 1, 2010- March 31, 2015 ERS's Experience
Inflation rate	2.5%	2.5%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2018 for the March 31, 2020 and MP-2017 for the March 31, 2019 measurement dates.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

(8) Pension Plan

(c) Actuarial Assumptions

	Long-term Expected Real Rate of Return		Target Allocation	
Measurement date	2020	2019	2020	2019
Asset type:				
Domestic equity	4.05%	4.55%	36%	36%
International equity	6.15%	6.35%	14%	14%
Private equity	6.75%	7.50%	10%	10%
Real estate	4.95%	5.55%	10%	10%
Absolute return strategies (1)	3.25%	3.75%	2%	2%
Opportunistic portfolio	4.65%	5.68%	3%	3%
Real assets	5.95%	5.29%	3%	3%
Bonds and mortgages	.75%	1.31%	17%	17%
Cash	.00%	(0.25%)	1%	1%
Inflation - indexed bonds	.50%	1.25%	4%	4%
Total			100%	100%

The real rate of return is net of the long-term inflation assumption of 2.50%

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity, respectively.

(d) Discount Rate

The discount rate used to measure the total pension liability was 6.8% and 7.0% for the measurement dates ended March 31, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(8) Pension Plan

(e) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Fund's proportionate share of the net pension liability calculated using the discount rate of 6.8% and 7.0% for 2020 and 2019, respectively, as well as what the Fund's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Assumption	1% Increase
December 31, 2020	(5.8%)	(6.8%)	(7.8%)
Employer's proportionate share of the net pension asset (liability)	$ (510,714)	$ (278,275)	$ (64,199)
December 31, 2019	(6%)	(7%)	(8%)
Employer's proportionate share of the net pension asset (liability)	$(376,667)	$(86,151)	$157,902

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension asset/(liability), projected earnings of pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for 2020 and 2019 is $111,590 and $68,858, respectively.

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of all the participation System employers as of the March 31, 2020 and 2019 valuation dates, were as follows:

	(Dollars in Millions)	
Valuation date	3/31/2020	3/31/2019
Employers' total pension liability	$(194,596)	$(189,803)
Plan net position	168,116	182,718
Employers' net pension asset/(liability)	$ (26,480)	$ (7,085)
Ratio of plan net position to the Employers' total pension asset/(liability)	86.4%	96.3%

(8) Pension Plan

(g) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of December 31, 2020 and 2019 represent the projected employer contribution for the period of April 1, 2020 through March 31, 2021 and April 1, 2019 through March 31, 2020, respectively based on paid System wages multiplied by the employer's contribution rate, by tier. These amounts have been recorded as deferred outflows of resources in the accompanying financial statements.

(9) Postemployment Benefits Other Than Pensions

Plan Description

The Fund administers a defined benefit OPEB plan and provides OPEB for all permanent full-time employees of the Fund with ten years of credited service. The plan is a single-employer defined benefit plan (the Plan). The Plan provides Article 11 of the State Compiled Statues which grants the authority to establish and amend the benefit terms and financing requirements to the Fund's Board. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in trust that meet the criteria in paragraph 4 of Statement No. 75.

Funding Policy

The Fund provides continuation of medical coverage for employees that retire no earlier than age 62 or have at least twenty years of credited State service or are vested in the retirement system plan with ten years of credited service. The Fund will also provide coverage in the event of early retirement if the employee qualifies for a State disability pension. The Fund contributes 75% of costs for an individual policy and 35% of the difference between the cost of family and individual coverage. Surviving spouses of retired employees with at least ten years of service are also eligible for continued health insurance coverage subject to a 25% co-pay. The Fund reimburses retirees and their spouses for Medicare Part B premium costs. The Fund currently funds the plan to satisfy current obligations on a pay-as-you-go basis. The Fund expensed medical coverage for six retired employees totaling $53,225 and $59,689 for the years ended December 31, 2020 and 2019, respectively.

Benefits Provided

The Fund provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses. Retirees and their spouses receive benefits for their lifetime.

(9) Postemployment Benefits Other Than Pensions

Employees Covered by Benefit Terms – As of the actual valuation date, the following employees were covered by the benefit terms:

Active not eligible to retire	5
Active eligible to retire	0
Inactive employees entitled to but not yet receiving benefit payments	0
Retired and surviving spouses	6
Retiree spouses covered	2
Total	13

Net OPEB Liability

The Fund's total OPEB liability was measured as of September 30, 2020; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020.

Actuarial Assumptions and Other Inputs

The total actuarial valuation OPEB liability at December 31, 2020 and 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2020	**2019**
Inflation rate	2.11%	2.22%
Salary increases	3.11%	3.22%
Long-term bond rate (based on Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date)	2.41%	2.75%
Single discount rate (reflects a blending of the investment rate of return and the long-term bond rate using expected plan benefit payments)	2.41%	2.75%
Healthcare cost trend rates	4.00% adjusted annually to an ultimate rate of 4.08% after 2070	5.20% adjusted annually to an ultimate rate of 4.18% after 2070

Mortality rates at December 31, 2020 and December 31, 2019 were based on Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, distinct for Teachers, General, and Safety, without separate Contingent Survivor mortality, fully generational using scale MP-2020 and MP-2019, respectively.

(9) Postemployment Benefits Other Than Pensions

Actuarial Assumptions and Other Inputs

Retirement participation rate assumed that 100% of active employees eligible for coverage will elect the benefit and 70% of both male and female employees are to be married at retirement and elect coverage for a spouse. For active employees, it was assumed male spouses to be three years older than female spouses. For current retirees, actual census information was used.

Termination rates are based on the 2003 Society of Actuaries small plan withdrawal.

Changes in the Net OPEB Liability

Changes in the Fund's net OPEB liability were as follows:

	Total OPEB Liability [a]	**Plan Fiduciary Net Position** [b]	**Net OPEB Liability** [a] – [b]
Balances at December 31, 2019	$ 1,120,319	$ -	$ 1,120,319
Changes for the year:			
Service cost	36,364	-	36,364
Interest	31,040	-	31,040
Difference between expected and actual experience *	101,091	-	101,091
Contributions – employer	-	-	-
Net investment income	-	-	-
Changes of assumptions or other inputs (change in discount rate)	37,392	-	37,392
Expected benefit payments **	(27,968)	-	(27,968)
Administrative expense	-	-	-
Net changes	177,919	-	177,919
Balances, December 31, 2020	$ 1,298,238	$ -	$ 1,298,238

(9) Postemployment Benefits Other Than Pensions

Changes in the Net OPEB Liability

	Total OPEB Liability [a]	**Plan Fiduciary Net Position** [b]	**Net OPEB Liability** [a] – [b]
Balances at December 31, 2018	$ 1,027,973	$ -	$ 1,027,973
Changes for the year:			
Service cost	46,712	-	46,712
Interest	39,954	-	39,954
Difference between expected and actual experience *	(183,595)	-	(183,595)
Contributions – employer	-	-	-
Net investment income	-	-	-
Changes of assumptions or other inputs (change in discount rate)	220,785	-	220,785
Expected benefit payments **	(31,510)	-	(31,510)
Administrative expense	-	-	-
Net changes	92,346	-	92,346
Balances, December 31, 2019	$ 1,120,319	$ -	$ 1,120,319

Changes in the Net OPEB Liability

*Includes differences due to changes in health care trend rates.

**Expected benefit payments includes deferred benefit payments between the measurement date and fiscal year end.

(9) Postemployment Benefits Other Than Pensions

Sensitivity of the total OPEB Liability to Changes in the Discount Rate

The following presents the Fund's total OPEB liability at December 31, 2020, as well as what the Fund's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (1.41%) or 1 percentage point higher (3.41%) than the current discount rate:

	1% Decrease (1.41%)	**Discount Rate (2.41%)**	**1% Increase (3.41%)**
Total OPEB Liability	$ 1,518,394	$1,298,238	$1,123,170

Sensitivity of the total OPEB Liability to Changes in the Discount Rate

The following presents the Fund's total OPEB liability at December 31, 2019, as well as what the Fund's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current discount rate:

	1% Decrease (1.75%)	**Discount Rate (2.75%)**	**1% Increase (3.75%)**
Total OPEB Liability	$ 1,314,624	$ 1,120,319	$ 966,302

Sensitivity of the total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Fund's total OPEB liability at December 31, 2020, as well as what the Fund's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (3.00% increasing to 3.08%) or 1 percentage point higher (5.00% increasing to 5.08%) than the current healthcare cost trend rate:

	1% Decrease (3.00% Increasing to 3.08%)	**Healthcare Cost Trend Rate (4.00% Increasing to 4.08%)**	**1% Increase (5.00% Increasing to 5.08%)**
Total OPEB Liability	$1,112,884	$ 1,298,238	$1,531,141

(9) Postemployment Benefits Other Than Pensions

Sensitivity of the total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Fund's total OPEB liability at December 31, 2019, as well as what the Fund's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.20% decreasing to 3.18%) or 1 percentage point higher (6.20% decreasing to 5.18%) than the current healthcare cost trend rate:

	1% Decrease (4.20% Decreasing to 3.18%)	Healthcare Cost Trend Rate (5.20% Decreasing to 4.18%)	1% Increase (6.20% Decreasing to 5.18%)
Total OPEB Liability	$ 948,537	$ 1,120,319	$1,337,613

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2020 and 2019, the Fund recognized OPEB expenses of $88,563 and $51,133, respectively. The Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

December 31, 2020	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 50,545	$ 30,599
Amounts recognized in OPEB expense	-	-
Changes of assumptions	55,493	-
Contributions subsequent to the measurement date	7,049	-
Total	$ 113,087	$ 30,599

December 31, 2019	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 135,422
Amounts recognized in OPEB expense	-	-
Changes of assumptions	128,791	8,201
Contributions subsequent to the measurement date	7,964	-
Total	$ 136,755	$ 143,623

(9) Postemployment Benefits Other Than Pensions

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	
2021	$75,439

(10) Concentration of Risk - Long-Term Receivable and Payable

In 2011, Suffolk OTB sought protection from its creditors with the filing of a petition for bankruptcy in the Eastern District of New York under Chapter Nine of the U.S. Bankruptcy Code. Under the terms of the original filing, Suffolk OTB was able to delay payment on debts owed as of the filing date while continuing to make payments on all debts incurred from that date forward. Amounts due and owing to the Fund from the OTB at the time of the filing included Handle and Breakage totaling $56,243 and $74,031 for 2012 and 2011, respectively. Although protected by Schedule F - Creditors Holding Unsecured Non-priority Claims in the 2012 filing, the Fund fully allowed for the non-collectability of these amounts in its 2012 financial statements.

In October 2014, the Suffolk OTB received court approval on a plan of repayment. The repayment is contingent on several factors. The Fund received $53,266 and $59,422 in payments against the amount filed in bankruptcy for the years ended December 31, 2020 and 2019, respectively. Final payment on the bankruptcy was received in 2020 and the Fund received payment in full on the allowance.

Suffolk OTB accounted for $239,113 and $367,204 or approximately 2.0% and 1.9% of the total operating revenue reported by the Fund for the years ended December 31, 2020 and 2019, respectively.

(11) Commitments and Contingencies

(a) Beginning February 1, 2013, the Fund came under the umbrella of the new Gaming Commission of the State of New York. It is anticipated that this reorganization will not significantly impact the Fund’s mission or revenue sources. In response, the Fund relocated its operations to the New York State Gaming Commission building in Schenectady, New York, during December 2012.

(11) Commitments and Contingencies

The Fund has a Shared Services Agreement with the New York State Gaming Commission for office space, utilities, and use of Gaming Commission employees. The agreement has a ten year term that expires December 31, 2023, but may be terminated by either party with sixty days' advance written notice. Occupancy expenditures for the years ended December 31, 2020 and 2019 were $24,295 and $23,536, respectively. Future payments under this agreement are estimated as follows:

2021	$ 22,500
2022	23,000
2023	24,000
	$ 69,500

(b) In December 2020, the Fund entered into an agreement with The New York Racing Association, Inc. (NYRA) for certain sponsorship and sponsorship benefits. The agreement runs from January 1, 2021 through December 31, 2021 but can be terminated by either party with ten (10) days written notice. The agreement utilizes a promotional credit from 2020 and calls for three payments of $23,333 beginning May 1, 2021.

(12) Legal Proceedings and Claims

In the ordinary course of business, the Fund may be subject to certain legal proceedings and claims. For any actions that are not otherwise covered by liability insurance, management believes that the resulting outcome of any such actions will not have a material adverse effect on the financial condition or results of operations of the Fund. In addition, when a loss contingency becomes probable, management establishes reserves.

(13) Accounting Standards Issued But Not Yet Implemented

- GASB Statement No. 87 – "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving the accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of GASB Statement No. 95 as provided in Note 2 to the financial statements, postponed the implementation of this statement. The provisions of this statement are effective for the financial statements reporting period beginning after June 15, 2021, which is the fiscal year beginning January 1, 2022 for the Fund. The effects of this Statement on the financial statements of the Fund are not presently determinable.

(13) Accounting Standards Issued But Not Yet Implemented

- GASB Statement No. 89 – "Accounting for Interest Cost Incurred Before the End of a Construction Period". The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The implementation of GASB Statement No. 95 as provided in Note 2 to the financial statements, postponed the implementation of this statement. The provisions of this Statement are effective for fiscal years beginning after December 15, 2020, which is the fiscal year beginning January 1, 2021 for the Fund. The effects of this Statement on the financial statements of the Fund are not presently determinable.

- GASB Statement No. 91 – "Conduit Debt Obligations". The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of GASB Statement No. 95 as provided in Note 2 to the financial statements, postponed the implementation of this statement. The provisions of this Statement are effective for fiscal years beginning after December 15, 2021, which is the fiscal year beginning January 1, 2022 for the Fund. The effects of this Statement on the financial statements of the Fund are not presently determinable.

- GASB Statement No. 92 – "Omnibus 2020". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The provisions of this Statement are effective for fiscal years beginning after June 15, 2021, which is the fiscal year beginning January 1, 2022 for the Fund. The effects of this Statement on the financial statements of the Fund are not presently determinable.

- GASB Statement No. 93 – "Replacement of Interbank Offered Rates". The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021, which is the fiscal year beginning January 1, 2022 for the Fund. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021, which is the fiscal year beginning January 1, 2021 for the Fund. The effects of this Statement on the financial statements of the Fund are not presently determinable.

(13) Accounting Standards Issued But Not Yet Implemented

- GASB Statement No. 94 – "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The provisions of this Statement are effective for fiscal years beginning after June 15, 2022, which is the fiscal year beginning January 1, 2023 for the Fund. The effects of this Statement on the financial statements of the Fund are not presently determinable.

- GASB Statement No. 96 – "Subscription-Based Information Technology Arrangements". The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The provisions of this Statement are effective for fiscal years beginning after June 15, 2022, which is the fiscal year beginning January 1, 2023 for the Fund. The effects of this Statement on the financial statements of the Fund are not presently determinable.

- GASB Statement No. 97 – "Certain component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32". The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, OPEB and other employee benefit plans; and (3) enhance the relevance, consistency, and comparability of the accounting for certain IRC 457 plans. The provisions of this Statement are effective on various dates depending on the circumstances. The earliest fiscal year is January 1, 2021. The effects of this Statement on the financial statements of the Fund are not presently determinable.

NEW YORK STATE THOROUGHBRED BREEDING AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019	2018	2017	2016	2015
Fund's proportion of the net pension liability (asset)	0.0010509%	0.0012159%	0.0012169%	0.0013013%	0.0013512%	0.0010264%
Fund's proportionate share of the net pension liability (asset)	$ 278,275	$ 86,151	$ 39,274	$ 122,272	$ 216,871	$ 34,673
Fund's covered payroll	$ 448,267	$ 448,599	$ 444,662	$ 430,449	$ 426,747	$ 413,358
Fund's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	62.08%	19.20%	8.83%	28.41%	50.82%	8.39%
Plan fiduciary net position as a percentage of the total pension liability	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%

* The amounts presented for each fiscal year were determined as of the March 31, 2020, 2019, 2018, 2017, 2016 and 2015 measurement dates of the plan.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

NEW YORK STATE THOROUGHBRED BREEDING AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
SCHEDULES OF FUND CONTRIBUTIONS
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 61,453	$ 62,415	$ 63,064	$ 61,770	$ 61,234	$ 92,060	$ 37,768
Contributions in relation to the contractually required contribution	61,453	62,415	63,064	61,770	61,234	92,060	37,768
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fund's covered employee payroll	$ 448,267	$ 448,599	$ 444,662	$ 430,449	$ 426,747	$ 413,358	$ 312,882
Contributions as a percentage of covered employee payroll	13.71%	13.91%	14.18%	14.35%	14.35%	22.27%	12.07%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Fiscal Year Ending		
	2020	**2019**	**2018**
Total OPEB Liability			
Measurement date	9/30/2020	9/30/2019	9/30/2018
Service cost	$ 36,364	$ 46,712	$ 41,735
Interest	31,040	39,954	44,232
Changes in benefit terms	-	-	-
Difference between expected and actual experience in the measurement of the total OPEB liability	101,091	(183,595)	(217,159)
Changes in assumptions and other inputs	37,392	220,785	(62,877)
Benefit payments	(27,968)	(31,510)	(31,390)
Net Change in Total OPEB Liability	177,919	92,346	(225,459)
Total OPEB Liability - beginning	1,120,319	1,027,973	1,253,432
Total OPEB Liability - ending	$ 1,298,238	$ 1,120,319	$ 1,027,973
Covered-employee payroll	$ 439,571	$ 425,858	$ 440,209
Total OPEB Liability as a percentage of covered-employee payroll	295.34%	263.07%	233.52%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally, the amounts presented for each fiscal year were determined as of the measurement date as disclosed in the footnotes.

MARVIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members
New York State Thoroughbred Breeding and Development Fund

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New York State Thoroughbred Breeding and Development Fund (the Fund), a component unit of the State of New York, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated March 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

2020-001 Compliance with New York State Racing, Pari-Mutuel Wagering and Breeding Law

Criteria: NYS Racing, Pari-Mutuel Wagering and Breeding Law limits the disposition and distribution of the moneys received based on the category of expenditure. Promotion expenditures are to be distributed not in excess of 6% of revenue. Administrative expenditures are to be distributed not in excess of 5% of revenue.

Condition: Promotion expenditures were distributed at 7.5% of revenue. Administrative expenditures were distributed at 6.3% of revenue.

Cause: The Fund was not in compliance with the applicable percentages of revenue disbursed as noted in the Criteria due to the everchanging environment and circumstances associated with the COVID-19 pandemic.

Effect of Condition: The effects of the noncompliance are unknown due to facts and circumstances surrounding the pandemic. It is unclear what the State's response is or would be to the noncompliance.

Views of responsible officials: As a result of the Covid-19 pandemic, New York State racing and gaming facilities were shut down for most of the year. These closures adversely affected the Fund's total 2020 revenues in a profound manner. The Fund's total revenue for 2020 was $7.7 million less than the revenue the Fund received in 2019 – nearly a 40% decline. Upon learning of the racing and gaming closures and recognizing the severe impact that these closures would have on the Fund's overall revenues for 2020, the Fund's Board of Directors, the Audit Committee and/or Fund management had a series of meetings and discussions, with Fund counsel, to explore how the Fund could reduce expenses to stay within promotion and administration caps imposed upon the Fund by the Racing Law while still maintaining the integrity of the New York State breeding program and the Fund's awards program. As a result of those meetings and discussions, the Fund proactively instituted numerous cost-saving measures, including eliminating all non-essential purchases, implementing staff furloughs and re-negotiating existing contractual arrangements. As a result of these measures, the Fund was able to reduce its promotional and administrative expenditures significantly; nonetheless, since the Fund's total revenue was $7.7 million less than anticipated and since the statutorily prescribed limits on promotion and administration expenditures are based upon percentages of total revenue, the Fund slightly exceeded those statutorily prescribed limits for the year. This anomalous event was a direct result of the Fund's dramatic decline in total revenues for 2020 due to the pandemic and the Racing Law's rigid percentage-based limitations on promotion and administration expenditures.

Recommendations: Since the Fund' promotion and administration expenditure caps are created by statute, there are no State authorities from which the Fund can obtain an approval or a waiver for non-compliance with the statute.

In the event the Fund encounters a similar issue in the future, the Fund's Board of Directors may consider seeking an opinion from the New York State Attorney General's Office with respect to the Fund's requirements to comply with statutorily imposed caps under circumstances where it may not be possible or feasible to do so.

Context: As part of audit procedures, compliance with the NYS Racing, Pari-Mutuel Wagering and Breeding Law is reviewed.

Fund's Response to Findings

The Fund's response to the findings identified in our audit is described previously. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marvin and Company, P.C.

Latham, NY
March 23, 2021