

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**

(A Component Unit of the State of New York)

AUDITED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position	8
Statements of Revenue, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11
Required Supplementary Information	
Schedules of Proportionate Share of the Net Pension Liability (Asset)	30
Schedules of Fund Contributions	31
Schedule of Changes in Total OPEB Liability	32
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 <i>Government Auditing Standards</i>	33

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New York State Thoroughbred Breeding
and Development Fund Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statement of net position of the New York State Thoroughbred Breeding and Development Fund Corporation (the "Fund"), a component unit of the State of New York, as of December 31, 2023 and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Fund, as of December 31, 2023, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund 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.

Prior Period Financial Statements

The financial statements of the Fund as of and for the year ended December 31, 2022 were audited by other auditors whose report dated March 17, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's 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 and *Government 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 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 and *Government 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 the Fund'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 the Fund's ability to continue as a going concern for a reasonable period of time.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, schedules of proportionate share of the net pension liability (asset), schedules of Fund contributions, and the schedule of changes in total OPEB liability on pages 30 through 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 __, 2024, on our consideration of the 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 the 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 Fund's internal control over financial reporting and compliance.

Albany, New York
March __, 2024

DRAFT

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022

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, 2023 and 2022.

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

Cash and equivalents increased by approximately \$1.5 million in 2023 as compared to 2022. The increase is attributed to increased revenue of approximately \$614,000 and approximately \$800,000 less awards paid in 2023 than 2022.

Awards payable increased approximately \$1.7 million compared to 2022. Approximately \$1.8 million of additional supplemental awards was accrued in 2023 compared to 2022, due to stronger year-end financial position than 2022 as a result of increased revenue and less awards paid out throughout the year, as noted above.

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 2023 is \$417,568, an increase of \$12,276 from the 2022 contribution.

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. There were no such excess moneys on hand at December 31, 2023 and 2022.

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022

The following table summarizes the Fund's net position at December 31:

	<u>2023</u>	<u>2022</u>
Assets		
Cash and equivalents	\$ 7,966,646	\$ 6,442,312
Receivables, net	1,078,587	1,080,019
Net pension asset - proportionate share	-	73,379
Other assets, net	<u>165,982</u>	<u>147,325</u>
Total assets	9,211,215	7,743,035
Deferred outflows of resources - pension/OPEB	<u>288,971</u>	<u>229,134</u>
Total assets and deferred outflows of resources	<u>\$ 9,500,186</u>	<u>\$ 7,972,169</u>
Liabilities		
Accounts payable and accrued expenses	\$ 190,278	\$ 212,171
Awards payable	5,061,299	3,294,103
Awards payable reserve	1,352,296	1,424,567
Payable to Harry M. Zweig Memorial Fund	417,568	405,292
Purse enrichments payable	502,969	503,211
Postemployment benefits (OPEB) liability	1,347,221	1,274,827
Net pension liability - proportionate share	<u>218,365</u>	<u>-</u>
Total liabilities	9,089,996	7,114,171
Deferred inflows of resources - pension/OPEB	<u>335,190</u>	<u>782,998</u>
Total liabilities and deferred inflows of resources	<u>9,425,186</u>	<u>7,897,169</u>
Net position	<u>75,000</u>	<u>75,000</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,500,186</u>	<u>\$ 7,972,169</u>

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 wagers. Total handle accounted for 21 percent of operating revenue in 2023 and 23 percent in 2022, while breakage accounted for 1.2 percent and 1.5 percent of operating revenue for 2023 and 2022, respectively.

The Fund obtained an additional contractual source of revenue from Video Lottery Terminals (VLTs) at Finger Lakes Gaming and Racetrack (Finger Lakes) beginning in 2004, which provided approximately 7 percent of total operating revenue for 2023 and 2022. Further enhancing Fund revenues, Resorts World Casino New York City (Resorts World) began operation of VLTs at Aqueduct Racetrack in late 2011. Statutory revenue received from this operation was approximately \$10.1 million in 2023 and \$9.5 million in 2022, or 48 percent and 47 percent of total operating revenue, respectively. The VLT recapture for 2023 of \$2.7 million allows the Fund to maintain 2013 Resorts World VLT revenue levels adjusted for inflation and resulted in a 69 percent combined percentage from all VLT revenue sources in 2023 versus 66 percent in 2022.

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022

Effective January 1, 2014, legislation provided for the Fund to receive revenues from Advance- Deposit Wagering (ADW) sources. Total ADW revenue accounted for 8.5 percent and 8 percent of total operating revenue for 2023 and 2022, respectively. The total 2023 operating revenue of approximately \$20.9 million increased approximately \$614,000 from the 2022 figure, primarily due to increased net win from VLTs leading to increased VLT revenues.

With this healthy revenue picture, the Fund was able to pay out 100% of all breeder, stallion and owner awards earned in 2023. The Fund also authorized a 24% supplemental award to all 2023 award earners and \$300,000 in purse enrichment specifically to support the New York Stallion Stakes Series conducted by the New York Racing Association. Also, these funds allowed the Board of Directors to provide an additional \$200,000 to Finger Lakes to enhance purses for NY-bred runners during 2024.

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

	<u>2023</u>	<u>2022</u>
Operating revenue		
Handle	\$ 4,379,274	\$ 4,738,192
Advance-deposit wagering	1,779,910	1,629,673
Breakage	258,251	298,692
Video lottery terminal commissions	14,335,714	13,469,394
Registration and web advertising fees	<u>125,250</u>	<u>128,650</u>
Total operating revenue	<u>20,878,399</u>	<u>20,264,601</u>
Operating expenses		
Awards	16,733,550	15,639,502
Purse enrichment	2,060,686	2,068,345
Promotion	1,080,205	1,211,201
Administration	625,678	923,651
Harry M. Zweig Memorial Fund	417,568	405,292
Bad debt, net of recoveries	<u>38,218</u>	<u>37,320</u>
Total operating expenses	<u>20,955,905</u>	<u>20,285,311</u>
Change in net position from operations	<u>(77,506)</u>	<u>(20,710)</u>
Nonoperating revenues		
Interest income	64,094	18,394
Aftercare donations	13,412	-
Gain on sale of property and equipment	<u>-</u>	<u>2,316</u>
Change in net position	-	-
Net position at beginning of year	<u>\$ 75,000</u>	<u>75,000</u>
Net position at end of year	<u>\$ 75,000</u>	<u>\$ 75,000</u>

NEW YORK STATE THOROUGHBRED BREEDING AND DEVELOPMENT FUND CORPORATION

(A Component Unit of the State of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023 and 2022

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 One Broadway Center, 1st floor, Schenectady, New York 12305.

DRAFT

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and equivalents	\$ 7,966,646	\$ 6,442,312
Receivables, net	1,078,587	1,080,019
Prepaid expenses	<u>14,117</u>	<u>4,061</u>
Total current assets	9,059,350	7,526,392
Property and equipment, net	151,865	143,264
Net pension asset - proportionate share	<u>-</u>	<u>73,379</u>
Total assets	9,211,215	7,743,035
Deferred outflows of resources		
Deferred outflows of resources - OPEB	65,381	9,188
Deferred outflows of resources - pension	<u>223,590</u>	<u>219,946</u>
Total assets and deferred outflows of resources	<u>\$ 9,500,186</u>	<u>\$ 7,972,169</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$ 190,278	\$ 212,171
Awards payable	5,061,299	3,294,103
Awards payable reserve	1,352,296	1,424,567
Payable to Harry M. Zweig Memorial Fund	417,568	405,292
Purse enrichments payable	<u>502,969</u>	<u>503,211</u>
Total current liabilities	7,524,410	5,839,344
Postemployment benefits liability	1,347,221	1,274,827
Net pension liability - proportionate share	<u>218,365</u>	<u>-</u>
Total liabilities	9,089,996	7,114,171
Deferred inflows of resources		
Deferred inflows of resources - OPEB	315,090	516,712
Deferred inflows of resources - pension	<u>20,100</u>	<u>266,286</u>
Total liabilities and deferred inflows of resources	<u>9,425,186</u>	<u>7,897,169</u>
Net position		
Net invested in capital assets	151,865	143,264
Unrestricted deficit	<u>(76,865)</u>	<u>(68,264)</u>
Total net position	<u>75,000</u>	<u>75,000</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,500,186</u>	<u>\$ 7,972,169</u>

See 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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenue		
Handle	\$ 4,379,274	\$ 4,738,192
Advance-deposit wagering	1,779,910	1,629,673
Breakage	258,251	298,692
Video lottery terminal commissions	14,335,714	13,469,394
Registration and web advertising fees	<u>125,250</u>	<u>128,650</u>
Total operating revenue	<u>20,878,399</u>	<u>20,264,601</u>
Operating expenses		
Breeder awards	11,687,053	10,954,679
Stallion awards	2,404,500	2,291,136
Owner awards	2,641,997	2,393,688
Finger Lakes Racing Association breakage	60,686	68,345
Purse enrichment	2,000,000	2,000,000
Promotion	1,080,205	1,211,201
Administration	625,678	923,651
Harry M. Zweig Memorial Fund	417,568	405,292
Bad debt, net of recoveries	<u>38,218</u>	<u>37,320</u>
Total operating expenses	<u>20,955,905</u>	<u>20,285,312</u>
Change in net position from operations	<u>(77,506)</u>	<u>(20,711)</u>
Nonoperating revenues		
Interest income	64,094	18,394
Aftercare donations	13,412	-
Gain on sale of property and equipment	<u>-</u>	<u>2,317</u>
Change in net position	-	-
Net position at beginning of year	<u>\$ 75,000</u>	<u>75,000</u>
Net position at end of year	<u>\$ 75,000</u>	<u>\$ 75,000</u>

See 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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	\$ 20,841,614	\$ 20,235,114
Payments for awards and purses	(17,099,553)	(19,785,703)
Payments to Harry M. Zweig Memorial Fund	(405,292)	(399,308)
Payments to employees	(484,122)	(460,043)
Payments to contractors and suppliers	(1,358,508)	(1,298,876)
	<u>1,494,139</u>	<u>(1,708,816)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(47,311)	(37,794)
Proceeds from sale of property and equipment	-	2,500
Interest earned and other nonoperating revenues	77,506	18,394
	<u>30,195</u>	<u>(16,900)</u>
Net cash provided by (used in) investing activities		
Net change in cash and equivalents	1,524,334	(1,725,716)
Cash and equivalents at beginning of year	6,442,312	8,168,028
Cash and equivalents at end of year	<u>\$ 7,966,646</u>	<u>\$ 6,442,312</u>
Reconciliation of change in net position from operations to net cash provided by (used in) operating activities:		
Change in net position from operations	\$ (77,506)	\$ (20,711)
Adjustments to reconcile change in net position from operations to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	38,710	38,646
Net change in deferred outflows and inflows related to pension (non-cash)	(249,830)	39,307
Net change in deferred outflows and inflows related to OPEB (non-cash)	(257,815)	635,673
Bad debts	38,218	37,320
Changes in:		
Receivables	(36,786)	(29,487)
Prepaid expenses	(10,056)	231
Accounts payable and accrued expenses	(21,893)	42,571
Awards payable	1,767,196	(314,677)
Awards payable reserve	(72,271)	(2,062,177)
Purse enrichments payable	(242)	298,998
Harry M. Zweig Memorial Fund payable	12,276	5,984
Postemployment benefits liability	72,394	(306,056)
Pension asset	73,379	(73,379)
Pension liability	218,365	(1,059)
	<u>\$ 1,494,139</u>	<u>\$ (1,708,816)</u>
Net cash provided by (used in) investing activities		

See notes to financial statements.

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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, 2023 and 2022 the Fund maintained available funds in interest bearing checking accounts, since the rate of return was comparable to short-term Treasury bills.

Cash and Equivalents

The Fund’s investment policies are governed by New York State Statute. Cash 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.

Custodial Credit Risk

Custodial credit risk 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, 2023 and 2022, 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.

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables consist of handle, breakage, a percentage of Advance-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 \$182,777 and \$144,959 at December 31 2023 and 2022, respectively.

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.

Deferred Outflows and Inflows of Resources

In the Statements of Net Position, in addition to assets, the Fund reports a separate section of deferred outflows of resources. 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 Statements of Net Position and 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 Employees' Retirement System (the System) and Other Postemployment Benefits (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 Statements of Net Position report a separate section for deferred inflows of resources. 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 Statements 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 Statements of Net Position. This represents the effects of the differences between actual and expected experience and changes of assumptions or other inputs.

Net Position

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. There were no net position amounts in excess of \$75,000 at either December 31, 2023 or 2022.

NEW YORK STATE THOROUGHBRED BREEDING AND DEVELOPMENT FUND CORPORATION

(A Component Unit of the State of New York)

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

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: One-half of one percent (0.5%) of handle on the regular, multiple, exotic and super exotic wagers are paid to the Fund. The Fund receives an additional two-tenths of one percent (0.2%) 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 0.5%. "Special Event" races, which include the Kentucky Derby, the Preakness and the Breeder's Cup, generate handle of one-half of one percent (0.5%), as specified in Section 904 of the Law, with NYRA paying an additional 0.2%.

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 50% 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: The Fund receives VLT device revenue from Resorts World Casino – New York City (RW) at the Aqueduct Racetrack at the rate of 1.5% of Net Win. RW has 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 0.5% of Net Win. There were 1,000 VLT machines designated to Nassau OTB at both December 31, 2023 and 2022.

VLT – Nassau OTB and Suffolk OTB: The Fund receives 0.5% 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 \$2,715,933 and \$2,564,995 and no payables to the New York Gaming Commission at December 31, 2023 and 2022, 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.

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Expenses

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 enrichment: 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: Under current State Law, up to 6% to advance and promote breeding and raising of thoroughbreds in New York. The current State Law, unless extended, will decrease to 5% as of October 28, 2024.

Administration: Under current State Law, up to 5% for the administration and management of the Fund. The current State Law, unless extended, will decrease to 4% as of October 28, 2024.

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.

Advertising Costs

The Fund expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2023 and 2022 amounted to \$272,573 and \$236,583, respectively.

Retirement Plan

The Fund provides retirement benefits for its employees through contributions to the System. The System provides various plans and options, some of which require employee contributions. Note 5 provides more information on the retirement plan.

Reclassifications

Certain 2022 financial statement amounts have been reclassified to conform to the 2023 presentation.

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Subsequent Events

The Fund has evaluated subsequent events through March __, 2024, the date the financial statements were available to be issued. There were no subsequent events requiring recording or disclosure.

NOTE 3 – RECEIPT AND DISTRIBUTION OF REVENUE AND BASIS OF NET POSITION

Distribution of awards and purses is as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Breeder awards	\$ 11,687,053	\$ 10,954,679
Stallion awards	2,404,500	2,291,136
Owner awards	2,641,997	2,393,688
Finger Lakes Racing Association breakage	60,686	68,345
Purse enrichment	<u>2,000,000</u>	<u>2,000,000</u>
Distribution of awards and purses	18,794,236	17,707,848
Operating revenue	<u>20,878,399</u>	<u>20,264,601</u>
Percentage of operating revenue	<u>90.0%</u>	<u>87.4%</u>

The awards payable reserve represents the retention of 10% of awards due as established in accordance with Fund policy. The reserve at December 31, 2023 was released in January 2024 and the reserve at December 31, 2022 was released in January 2023.

NEW YORK STATE THOROUGHBRED BREEDING AND DEVELOPMENT FUND CORPORATION

(A Component Unit of the State of New York)

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment balances and changes consisted of the following:

	<u>January 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2023</u>
Office furniture and equipment	\$ 21,092	\$ 15,511	\$ 6,995	\$ 29,608
Vehicles	50,819	-	-	50,819
Software and website	293,022	31,800	-	324,822
Total	364,933	47,311	6,995	405,249
Less: accumulated depreciation and amortization	<u>(221,669)</u>	<u>(38,710)</u>	<u>(6,995)</u>	<u>(253,384)</u>
Property and equipment, net	<u>\$ 143,264</u>	<u>\$ 8,601</u>	<u>\$ -</u>	<u>\$ 151,865</u>
	<u>January 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2022</u>
Office furniture and equipment	\$ 22,416	\$ -	\$ 1,324	\$ 21,092
Vehicles	39,345	28,493	17,019	50,819
Software and website	283,722	9,300	-	293,022
Total	345,483	37,793	18,343	364,933
Less: accumulated depreciation and amortization	<u>(201,183)</u>	<u>(38,829)</u>	<u>(18,343)</u>	<u>(221,669)</u>
Property and equipment, net	<u>\$ 144,300</u>	<u>\$ (1,036)</u>	<u>\$ -</u>	<u>\$ 143,264</u>

NOTE 5 – PENSION PLAN

Plan Descriptions and Benefits Provided

The Fund participates in 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 State Comptroller serves as the trustee of the NYSCRF and is the administrative head of the System. Benefits are established under 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.

NEW YORK STATE THOROUGHBRED BREEDING AND DEVELOPMENT FUND CORPORATION

(A Component Unit of the State of New York)

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 5 – PENSION PLAN (Continued)

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 State 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. For 2023, the Fund's employer rates ranged from 9.4% - 12.8% for the Fund's active employees. For 2022, Fund's employer rates ranged from 8.1% - 12.9% for the Fund's active employees.

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

2023	<u>\$ 49,745</u>
2022	<u>\$ 50,799</u>
2021	<u>\$ 62,758</u>

Employer contributions are paid annually based on the System's fiscal year which ends on March 31. Retirement contributions as of December 31, 2023 and 2022 represent the projected employer contribution for the period of April 1, 2023 through March 31, 2024 and April 1, 2022 through March 31, 2023, 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.

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2023 and 2022, the Fund reported the following liability (asset) for its proportionate share of the net pension liability (asset) for the System. The net pension liability (asset) was measured as of March 31, 2023 and 2022, respectively. The total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation. The Fund's proportionate share of the net pension liability (asset) 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.

Measurement date	March 31, 2023	March 31, 2022
Net pension liability (asset)	\$218,365	(\$73,379)
Fund's proportion of the Plan's net pension liability (asset)	0.0010183%	0.0008976%

NEW YORK STATE THOROUGHBRED BREEDING AND DEVELOPMENT FUND CORPORATION

(A Component Unit of the State of New York)

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 5 – PENSION PLAN (Continued)

The Fund's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,258	\$ 6,132	\$ 5,557	\$ 7,208
Change in assumptions	106,052	1,172	122,461	2,066
Net difference between projected and actual earnings on pension plan investments	-	1,283	-	240,285
Changes in proportion and differences between the Fund's contributions and proportionate share of contributions	44,535	11,513	41,129	16,727
Fund's contributions subsequent to the measurement date	49,745	-	50,799	-
Total	<u>\$ 223,590</u>	<u>\$ 20,100</u>	<u>\$ 219,946</u>	<u>\$ 266,286</u>

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:

<u>Year ended</u>	<u>ERS</u>
2024	\$ 40,705
2025	(1,695)
2026	50,586
2027	64,147

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.

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 – PENSION PLAN (Continued)

Significant actuarial assumptions used in the valuations were as follows:

Measurement date	March 31, 2023	March 31, 2022
Actuarial valuation date	April 1, 2022	April 1, 2021
Investment rate of return (net of investment expense, including inflation)	5.9%	5.9%
Discount rate	5.9%	5.9%
Salary scale	4.4% average	4.4% average
Decrement tables	April 1, 2015 - April 1, 2020 System's Experience	April 1, 2015 - March 31, 2020 System's Experience
Inflation rate	2.90%	2.70%

Annuitant mortality rates are based on April 1, 2015 – April 1, 2020 system experience with adjustments for mortality improvements based on MP-2021 for 2023.

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on MP-2020 for 2022.

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:

Asset type:	Long-term Expected Real Rate of Return		Target Allocation	
	2023	2022	2023	2022
Domestic equity	4.30%	3.30%	32%	32%
International equity	6.85%	5.85%	15%	15%
Private equity	7.50%	6.50%	10%	10%
Real estate	4.60%	5.00%	9%	9%
Opportunistic/ARS Portfolia (1)	5.38%	4.10%	3%	3%
Credit	5.43%	3.78%	4%	4%
Real assets	5.84%	5.80%	3%	3%
Fixed income	1.50%	0.00%	23%	23%
Cash	0.00%	(1.00%)	1%	1%
Total			100%	100%

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 – PENSION PLAN (Continued)

The real rate of return is net of the long-term inflation assumption of 2.5% for 2023 and 2022.

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

Discount Rate

The discount rate used to measure the total pension liability was 5.9% for the measurement dates ended March 31, 2023 and 2022. 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.

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 5.9% for 2023 and 2022, 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:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Assumption</u>	<u>1%</u> <u>Increase</u>
December 31, 2023	(4.9%)	(5.9%)	(6.9%)
Employer's proportionate share of the net pension liability (asset)	<u>\$ 527,693</u>	<u>\$ 218,365</u>	<u>\$ (40,116)</u>
December 31, 2022	(4.9%)	(5.9%)	(6.9%)
Employer's proportionate share of the net pension liability (asset)	<u>\$ 188,877</u>	<u>\$ (73,379)</u>	<u>\$ (292,743)</u>

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 liability (asset), 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 2023 and 2022 is \$91,660 and \$15,671, respectively.

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 – PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability (asset) of all the participation System employers as of the March 31, 2023 and 2022 measurement dates, were as follows:

Measurement date	Dollars in Thousands	
	<u>3/31/2023</u>	<u>3/31/2022</u>
Employers' total pension liability	\$ 232,627,259	\$ 223,874,888
Plan net position	<u>211,183,223</u>	<u>232,049,473</u>
Employers' net pension liability (asset)	<u>\$ 21,444,036</u>	<u>\$ (8,174,585)</u>
Ratio of plan net position to the Employers' total pension liability (asset)	<u>90.78%</u>	<u>103.65%</u>

NOTE 6 – 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 Statutes, 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 paid contributions of medical coverage for seven retired employees totaling \$67,941 and \$59,980 for the years ended December 31, 2023 and 2022, respectively.

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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.

Employees Covered by Benefit Terms – As of September 30, 2022, the most recent actual valuation date, the following employees were covered by the benefit terms:

Active not eligible to retire	5
Retired and surviving spouses	7
Retiree spouses covered	<u>1</u>
Total	<u><u>13</u></u>

Net OPEB Liability

At December 31, 2023, the Fund's total OPEB liability was measured as of September 30, 2023; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022.

At December 31, 2022, the Fund's total OPEB liability was measured as of September 30, 2022; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022.

Actuarial Assumptions and Other Inputs

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

	<u>2023</u>	<u>2022</u>
Inflation rate	2.42%	2.53%
Salary increases	3.42%	3.53%
Long-term bond rate (based on Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date)	4.64%	4.40%
Single discount rate (reflects a blending of the investment rate of return and the long-term bond rate using expected plan benefit payments)	4.64%	4.40%
Healthcare cost trend rates	5.10% adjusted annually to an ultimate rate of 3.86% after 2075	5.50% adjusted annually to an ultimate rate of 4.00% after 2075

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Mortality rates used in the current measurements 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-2021.

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 for the year ended December 31:

	Net OPEB Liability 2023	Net OPEB Liability 2022
Balance at beginning of year	\$ 1,274,827	\$ 1,580,884
Changes for the year:		
Service cost	53,753	51,124
Interest	55,312	34,945
Change in benefit terms	-	385,597
Difference between expected and actual experience *	67,880	(315,767)
Changes of assumptions or other inputs (change in discount rate)	(33,052)	(425,603)
Benefit payments	(71,499)	(36,353)
Net changes	<u>72,394</u>	<u>(306,057)</u>
Balance at end of year	<u><u>\$ 1,347,221</u></u>	<u><u>\$ 1,274,827</u></u>

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

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

The following presents the Fund's total OPEB liability at December 31, 2023, 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 (3.64%) or 1 percentage point higher (5.64%) than the current discount rate:

	1% Decrease (3.64%)	Discount Rate (4.64%)	1% Increase (5.64%)
Total OPEB Liability	<u>\$ 1,511,436</u>	<u>\$ 1,347,221</u>	<u>\$ 1,211,409</u>

The following presents the Fund's total OPEB liability at December 31, 2022, 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 (3.40%) or 1 percentage point higher (5.40%) than the current discount rate:

	1% Decrease (3.40%)	Discount Rate (4.40%)	1% Increase (5.40%)
Total OPEB Liability	<u>\$ 1,431,731</u>	<u>\$ 1,274,827</u>	<u>\$ 1,145,391</u>

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, 2023, 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 (4.10% decreasing to 2.86%) or 1 percentage point higher (6.10% decreasing to 4.86%) than the current healthcare cost trend rate:

	1% Decrease (4.10% Decreasing to 2.86%)	Healthcare Cost Trend Rate (5.10% Decreasing to 3.86%)	1% Increase (6.10% Decreasing to 4.86%)
Total OPEB Liability	<u>\$ 1,187,938</u>	<u>\$ 1,347,221</u>	<u>\$ 1,541,222</u>

The following presents the Fund's total OPEB liability at December 31, 2022, 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 (4.50% decreasing to 3.00%) or 1 percentage point higher (6.50% decreasing to 5.00%) than the current healthcare cost trend rate:

	1% Decrease (4.50% Decreasing to 3.00%)	Healthcare Cost Trend Rate (5.50% Decreasing to 4.00%)	1% Increase (6.50% Decreasing to 5.00%)
Total OPEB Liability	<u>\$ 1,135,301</u>	<u>\$ 1,274,827</u>	<u>\$ 1,444,489</u>

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

For the years ended December 31, 2023 and 2022, the Fund recognized OPEB (benefit) expense of (\$105,039) and \$367,167, respectively. The Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

December 31, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,310	\$ 124,393
Change of assumptions	-	190,697
Contributions subsequent to the measurement date	18,071	-
Total	\$ 65,381	\$ 315,090
December 31, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 220,080
Change of assumptions	-	296,632
Contributions subsequent to the measurement date	9,188	-
Total	\$ 9,188	\$ 516,712

Fund contributions subsequent to the September 30 measurement date will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB (benefit) expense as follows:

Year Ending December 31,	
2024	\$ (214,104)
2025	(56,842)
2026	3,166

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings and Claims and Litigation

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.

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)

Legal Proceedings and Claims and Litigation (Continued)

The Fund is actively pursuing collection from Catskill OTB in connection with the entity's failure to remit payments owed to the Fund. As of December 31, 2023, the outstanding balance of approximately \$183,000 has been fully reserved for in the allowance for doubtful accounts.

Agreements

The Fund has a Shared Services Agreement with the New York State Gaming Commission (the Gaming Commission) for office space, utilities, and use of Gaming Commission employees. The agreement has a 10-year term that expired December 31, 2023, but may be terminated by either party with sixty days' advance written notice. Occupancy expenditures for the years ended December 31, 2023 and 2022 were \$29,117 and \$31,200, respectively.

In October 2022, the Fund entered into an agreement with NYRA for certain sponsorship and sponsorship benefits. The agreement ran from January 1, 2023 through December 31, 2023, but can be terminated by either party with ten (10) days written notice. The agreement required four payments of \$31,250 beginning February 1, 2023. The agreement was renewed for 2024 with the same terms.

In October 2022, the Fund entered into an agreement with the New York Thoroughbred Breeders, Inc. (NYTB), a related party (see Note 8), for promotional services. The agreement runs from January 1, 2023 through December 31, 2025 and provides for up to two one-year renewal periods, but can be terminated by either party for any reason upon 30 days written notice. The agreement requires annual payments of \$400,000 and began on January 1, 2023.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Fund's established award and reimbursement programs are available to any individual or company meeting the eligibility requirements. At various times, members of the Fund's management and board of directors receive award payments and/or advertising reimbursements in accordance with the established programs in the normal course of the Fund's activity.

Awards to members of the Fund's management and board of directors totaled approximately \$964,000 and \$1,033,000 for the years ended December 31, 2023 and 2022. Awards payable and awards payable reserve to members of the Fund's management and board of directors totaled approximately \$430,000 and \$286,000 at December 31, 2023 and 2022, respectively.

The Fund has a promotional agreement with the NYTB (see note 7), whose Executive Director is also a member of the Fund's board of directors. Promotional expenses under this agreement totaled \$400,000 for each of the years ended December 31, 2023 and 2022.

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**

(A Component Unit of the State of New York)

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 8 – RELATED PARTY TRANSACTIONS (Continued)

Beginning February 1, 2013, the Fund came under the umbrella of the Gaming Commission. The Chairman of the Commissioners of the Gaming Commission is also the Chairman of the Fund's board of directors. The Fund has a shared services agreement with the Gaming Commission (see Note 7). Expenses incurred under this agreement totaled approximately \$29,100 and \$31,200 for the year ended December 31, 2023 and 2022, respectively. Accounts payable and accrued expenses includes approximately \$42,700 and \$38,300 payable to the Gaming Commission at December 31, 2023 and 2022, respectively.

DRAFT

SUPPLEMENTARY INFORMATION

DRAFT

**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)
NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Fund's proportion of the net pension liability (asset)	0.0010183%	0.0897600%	0.0010633%	0.0010509%	0.0012159%	0.0012169%	0.0013013%	0.0013512%	0.0010264%
Fund's proportionate share of the net pension liability (asset)	\$ 218,365	\$ (73,379)	\$ 1,059	\$ 278,275	\$ 86,151	\$ 39,274	\$ 122,272	\$ 216,871	\$ 34,673
Fund's covered payroll	\$ 452,049	\$ 487,546	\$ 406,435	\$ 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	48.31%	-15.05%	0.26%	62.08%	19.20%	8.83%	28.41%	50.82%	8.39%
Plan fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	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, 2015 through 2023 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.

DRAFT

**NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION**
(A Component Unit of the State of New York)
SCHEDULES OF FUND CONTRIBUTIONS
NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 49,745	\$ 50,799	\$ 62,758	\$ 61,453	\$ 62,415	\$ 63,064	\$ 61,770	\$ 61,234	\$ 92,060	\$ 37,768
Contributions in relation to the contractually required contribution	<u>49,745</u>	<u>50,799</u>	<u>62,758</u>	<u>61,453</u>	<u>62,415</u>	<u>63,064</u>	<u>61,770</u>	<u>61,234</u>	<u>92,060</u>	<u>37,768</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund's covered employee payroll	\$ 452,049	\$ 487,546	\$ 406,435	\$ 448,267	\$ 448,599	\$ 444,662	\$ 430,449	\$ 426,747	\$ 413,358	\$ 312,882
Contributions as a percentage of covered employee payroll	11.00%	10.42%	15.44%	13.71%	13.91%	14.18%	14.35%	14.35%	22.27%	12.07%

DRAFT

**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

	Fiscal Year Ending					
	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Measurement date	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Service cost	\$ 53,753	\$ 51,124	\$ 42,393	\$ 36,364	\$ 46,712	\$ 41,735
Interest	55,312	34,945	31,547	31,040	39,954	44,232
Changes in benefit terms	-	385,597	-	-	-	-
Difference between expected and actual experience in the measurement of the total OPEB liability	67,880	(315,767)	195,400	101,091	(183,595)	(217,159)
Changes in assumptions and other inputs	(33,052)	(425,603)	44,919	37,392	220,785	(62,877)
Benefit payments	(71,499)	(36,353)	(31,613)	(27,968)	(31,510)	(31,390)
Net Change in Total OPEB Liability	72,394	(306,057)	282,646	177,919	92,346	(225,459)
Total OPEB Liability - beginning	1,274,827	1,580,884	1,298,238	1,120,319	1,027,973	1,253,432
Total OPEB Liability - ending	<u>\$ 1,347,221</u>	<u>\$ 1,274,827</u>	<u>\$ 1,580,884</u>	<u>\$ 1,298,238</u>	<u>\$ 1,120,319</u>	<u>\$ 1,027,973</u>
Covered-employee payroll	\$ 462,055	\$ 446,301	\$ 453,176	\$ 439,571	\$ 425,858	\$ 440,209
Total OPEB Liability as a percentage of covered-employee payroll	291.57%	285.64%	348.85%	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.

**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 Board of Directors of
New York State Thoroughbred Breeding
and Development Fund Corporation

We have audited, in accordance with the 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 New York State Thoroughbred Breeding and Development Fund Corporation (the “Fund”), as of and for the year ended December 31, 2023, 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 __, 2024.

Report on 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 opinions 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 or significant deficiencies may exist that were not identified.

Report on 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, grant agreements and other matters, including *Investment Guidelines for Public Authorities* and the Fund’s investment guidelines, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albany, New York
March __, 2024

DRAFT