

Financial statements of

ONTARIO HARNESS HORSE ASSOCIATION

November 30, 2009

Tinkham & Associates LLP
C H A R T E R E D A C C O U N T A N T S

D C Tinkham, B Comm, CMC, FCA

Associates

P J Bracklesby, BBA, CA

L Link, BBA, CA

M Tkachenko, BBA, CA

L A Charlebois, BBA, CA

P J Kociuba, BBA, CA

L S Boorany, BBA, CA

2842 Bloor Street West, Suite 300
Toronto, Ontario, Canada M8X 1B1

Telephone (416) 233-2139

1(877) 283-3305

Facsimile (416) 233-1788

associates@tinkhamca.com

AUDITORS' REPORT

To the Members of
Ontario Harness Horse Association

We have audited the balance sheet of Ontario Harness Horse Association as at November 30, 2009 and the statements of income, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at November 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
December 22, 2009

Tinkham & Associates LLP
C H A R T E R E D A C C O U N T A N T S

Licensed Public Accountants

ONTARIO HARNESS HORSE ASSOCIATION
Balance Sheet

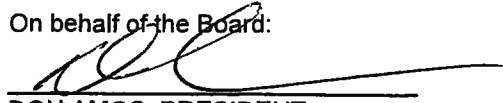
As at November 30	2009	2008
Assets		
Current		
Cash	\$ 661,866	\$ 1,129,553
Dues receivable	297,504	383,207
Other receivables (note 3)	63,869	18,571
Prepaid expenses	50,074	85,053
	1,073,313	1,616,384
Capital assets (note 4)	52,964	72,621
Assets under capital lease (note 5)	-	4,760
	\$ 1,126,277	\$ 1,693,765

Liabilities & Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 75,478	\$ 44,918
Obligation under capital lease	-	4,804
Deferred revenue (note 6)	26,952	33,107
	102,430	82,829
Long term		
Deferred revenue (note 6)	21,708	29,292
Deferred contribution (note 7)	5,429	7,752
	27,137	37,044
Contingent liability (note 10)		
Net assets		
Invested in capital assets (note 8)	47,535	64,825
Unrestricted	949,175	1,509,067
	996,710	1,573,892
	\$ 1,126,277	\$ 1,693,765

Commitment (note 9)

See accompanying notes to financial statements.

On behalf of the Board:


DON AMOS, PRESIDENT


PAUL LINDSEY, TREASURER

ONTARIO HARNESS HORSE ASSOCIATION

Statement of Changes in Net Assets

Year ended November 30	2009			2008
	Invested in capital assets (note 8)	Unrestricted	Total	Total
Balance, beginning of year	\$ 64,825	\$ 1,509,067	\$ 1,573,892	\$ 1,131,639
Net income (loss) for the year	(22,094)	(555,088)	(577,182)	442,253
Net investment in capital assets	4,804	(4,804)	-	-
Balance, end of year	\$ 47,535	\$ 949,175	\$ 996,710	\$ 1,573,892

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Income

Year ended November 30	2009	2008
Income		
Track revenue (note 2c)	\$ 1,098,632	\$ 2,112,199
Standardbred revenue allocation administration services (note 3)	71,166	71,516
Membership fees	40,928	36,337
Amortization of deferred contribution (note 7)	2,323	3,319
National Capital Region Harness Horse Association	36,230	52,622
	1,249,279	2,275,993
Expenses		
Member and groom assistance	406,552	425,909
Professional	373,251	100,488
Salaries and benefits	357,719	478,571
General office administration	209,639	210,941
Board of directors	198,702	179,945
Insurance	128,227	222,355
Donations	80,333	113,187
Member administration	31,096	56,190
Amortization of capital assets	24,418	32,402
Marketing	22,753	22,221
Association dues	1,013	16,577
	1,833,703	1,858,786
Net income (loss) from operations	(584,424)	417,207
Interest income	7,242	25,046
Net income (loss) for the year	\$ (577,182)	\$ 442,253

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Cash Flows

Year ended November 30	2009	2008
Cash provided (used) by		
Operating activities		
Net income (loss) for the year	\$ (577,182)	\$ 442,253
Charges not affecting cash		
Amortization of capital assets	24,418	32,402
Amortization of deferred contribution	(2,323)	(3,319)
	(555,087)	471,336
Changes in non-cash balances from operations		
Dues receivable	85,703	29,441
Other receivables	(45,298)	(18,571)
Prepaid expenses	34,979	17,186
Accounts payable and accrued liabilities	30,559	(111,897)
Deferred revenue	(13,739)	(13,942)
	92,204	(97,783)
	(462,883)	373,553
Cash provided (used) by financing and investing activities (net)		
Decrease in obligation under capital lease	(4,804)	(9,050)
Purchase of capital assets	-	(3,822)
	(4,804)	(12,872)
Increase (decrease) in cash during the year	(467,687)	360,681
Cash, beginning of year	1,129,553	768,872
Cash, end of year	\$ 661,866	\$ 1,129,553

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2009

1 Organization

The Ontario Harness Horse Association is a non-profit organization incorporated without share capital for the purpose of encouraging, improving and promoting the breeding and racing of trotting and pacing horses. The Association is not subject to income taxes pursuant to exemptions accorded to non-profit organizations in the income tax legislation.

The Ontario Harness Horse Association administers several programs which are not reflected in these financial statements as follows:

(a) Benevolent funds

The Ontario Harness Horse Association and several individual racetracks have established special benevolent funds to provide financial assistance to drivers, trainers, grooms, and their families connected with these racetracks, in the event of injury, or death. The Ontario Harness Horse Association administers but does not contribute to the funds and accordingly these funds are not reflected in the financial statements of the Association.

(b) Standardbred revenue allocation program (SRA)

The Ontario Harness Horse Association administers the 1% SRA on behalf of the Ontario Horsemen for the purpose of funding the following programs:

Ontario Sires Stakes
Overnight Purse Supplement
Industry Marketing Program
Horsemen's Group Retirement Plan

The SRA program commenced September 1, 1996, and the Ontario Harness Horse Association holds the SRA funds in trust. Accordingly, the SRA funds are not reflected in the financial statements of the Association.

2 Accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Capital assets and amortization

Capital assets are recorded at historical cost. Office and computer equipment are amortized on a declining balance basis at 20% per annum. Software is being amortized on a declining balance basis at 50% per annum. Vehicle and trailer are amortized on a declining balance basis at 30% per annum. Leasehold improvements are amortized on a straight line basis over 5 years. All additions are amortized for 1/2 year.

(b) Assets under capital lease

Assets under capital lease are recorded at the present value of the minimum lease payments and are being amortized straight line over the lease term of 66 months commencing December 2003.

(c) Revenue recognition

The organization follows the deferral method of accounting for contributions. Unrestricted contributions, are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2009

2 Accounting policies continued

(c) Revenue recognition continued

Track revenue

Track revenue is comprised of insurance and dues. Insurance is acquired by the association and billed to racetracks based on the number of live race days at each. Dues are calculated at 1.5% of the aggregate purse pool of certain supervised harness racetracks in Ontario. Management has recorded estimated dues for 2009 based on purse statements prepared by the racetracks which are subject to Ontario Racing Commission (ORC) review. It is reasonably possible that the estimated revenue recorded could change by a material amount upon receipt of the reviewed purse statements. Adjustments to the track revenue estimates arising upon receipt of the purse statements from the ORC will be accounted for in the year in which the association receives the reports.

In addition, the association has requested ORC assistance in resolving outstanding issues in purse statements dating back to 2003 for certain racetracks. It is reasonably possible that the estimated receivable amount recorded for these years could change by a material amount upon resolution of the outstanding issues. Adjustments to the track receivable amounts recorded will be accounted for in the year in which the issues are resolved.

Membership fees

Members have the option of paying membership dues in advance for one, three or five years. Memberships expire on the member's birth date. Membership fees received for future years are deferred and amortized into revenue over the membership term.

(d) Financial instruments

Cash, dues receivable and other receivables are classified as available for sale and measured at fair value. Accounts payable and accrued liabilities and obligations under capital lease are classified as other financial liabilities and measured at amortized cost.

(e) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3 Other receivables and Standardbred Revenue Allocation administration services revenue

Included in other receivables is an amount of \$37,850 (2008 - \$18,571) due from the Standardbred Revenue Allocation (SRA) program which OHHA administers. OHHA has recorded revenues in the amount of \$71,166 (2008 - \$71,516) for administering the program during the fiscal year.

SRA revenues and expenses are subject to the Ontario Racing Commission's (ORC) annual review and approval. The SRA accounts have not been reviewed by the ORC since October 1, 2003 and any amounts not approved by the ORC will be accounted for in the year of review.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2009

4 Capital assets

2009			
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 162,719	\$ 138,792	\$ 23,927
Computer equipment	97,844	86,804	11,040
Computer software	18,067	16,808	1,259
Leasehold improvements	26,750	20,062	6,688
Vehicle	46,276	41,648	4,628
Trailer	37,950	32,528	5,422
	\$ 389,606	\$ 336,642	\$ 52,964

2008			
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 162,719	\$ 132,810	\$ 29,909
Computer equipment	97,844	84,044	13,800
Computer software	18,067	15,549	2,518
Leasehold improvements	26,750	14,712	12,038
Vehicle	46,276	39,665	6,611
Trailer	37,950	30,205	7,745
	\$ 389,606	\$ 316,985	\$ 72,621

5 Assets under capital lease

2009			
	Cost	Accumulated Amortization	Net Book Value
Office equipment under capital lease	\$ 43,630	\$ 43,630	\$ -

2008			
	Cost	Accumulated Amortization	Net Book Value
Office equipment under capital lease	\$ 43,630	\$ 38,870	\$ 4,760

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2009

6 Deferred revenue

Deferred revenue is primarily comprised of membership fees. Membership fees are annual dues paid voluntarily by trainers, owners and grooms. Fees received in the current year which pertain to future years are deferred and recognized as revenue in the year to which they pertain. Deferred revenue at November 30 comprises:

	2009	2008
Current		
Membership fees for next fiscal year	\$ 26,952	\$ 31,250
Track revenue received in advance	-	1,857
	26,952	33,107
Long-term		
Membership fees for fiscal years 2011 to 2014 (2008 - 2010 to 2013)	21,708	29,292
	\$ 48,660	\$ 62,399
Balance, beginning of year	\$ 62,399	\$ 76,341
Membership fees received	29,046	28,525
Track revenue received in advance	-	1,857
Membership fees earned	(40,928)	(36,337)
Track revenue earned	(1,857)	(7,987)
Balance, end of year	\$ 48,660	\$ 62,399

7 Deferred contribution

The Association received \$37,950 in fiscal 2004 from the Standardbred Revenue Allocation program to fund the acquisition of a trailer for the Youth Camp program. The SRA contribution has been deferred and is being amortized into revenue over the life of the trailer.

	2009	2008
Balance, beginning of year	\$ 7,752	\$ 11,071
Amortization	(2,323)	(3,319)
Balance, end of year	\$ 5,429	\$ 7,752

ONTARIO HARNESS HORSE ASSOCIATION
Notes to the Financial Statements

November 30, 2009

8 Net assets invested in capital assets

(a) Investment in capital assets is calculated as follows:

	2009	2008
Net investment in capital assets:		
Capital assets	\$ 52,964	\$ 72,621
Assets under capital lease	-	4,760
Amounts financed by:		
Obligation under capital lease	-	(4,804)
Deferred contribution	(5,429)	(7,752)
	\$ 47,535	\$ 64,825

(b) Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Change in net investment in capital assets:		
Purchase of capital assets	\$ -	\$ 3,822
Repayment of:		
Obligation under capital lease	4,804	9,050
	\$ 4,804	\$ 12,872

9 Commitment

Lease

The Association has entered into a lease agreement for office premises for a five year, eleven month term effective November 1, 2005 to September 30, 2011. The minimum annual payments required under this lease, excluding an estimate of the proportionate share of property taxes, maintenance and insurance, for each of the next two fiscal years is as follows:

2010	56,191
2011	46,826

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2009

10 Contingent liability

Pursuant to the terms of its purse account manager licence issued annually by the Ontario Racing Commission, OHHA is contingently liable for any monies paid out as purse cheques for the thirteen racetracks in Ontario for which funds have not yet been received. The Association had issued purse cheques in prior years before receiving the funds from the racetracks. The amount funded as at November 30, 2009 is subject to verification and, until OHHA has completed the process of reconciling and collecting all monies due, the amount of any potential liability or recovery cannot be reasonably estimated.

11 Related party transactions

The Association had the following transactions with Directors and Officers during the year:

	2009	2008
Honorarium to OHHA President	\$ 50,000	\$ 50,000
Remuneration to Directors and Officers for attendance at meetings	32,565	25,750
Professional fees paid to a company owned by the former Chair of the Audit Committee	-	1,042
Consulting fees to a company owned by the spouse of the President	10,607	-

These transactions have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. As at year-end, all amounts unpaid related to these transactions have been included in accounts payable and accrued liabilities.

12 Financial instruments

The Association's financial instruments are comprised of cash, dues and other receivables, accounts payable and accrued liabilities and obligation under capital lease. The fair values approximate their carrying values due to their short term nature or capacity for prompt liquidation. In the Association's opinion, there are no significant credit, market, interest rate or currency risks arising from its financial instruments.