

Financial statements of

ONTARIO HARNESS HORSE ASSOCIATION

November 30, 2005

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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, 2005 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, 2005 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
January 16, 2006

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

ONTARIO HARNESS HORSE ASSOCIATION

Balance Sheet

As at November 30	2005	2004
Assets		
Current		
Cash	\$ 1,467,687	\$ 1,192,112
Dues receivable	437,508	597,138
Other receivables (note 3)	48,742	186,132
Prepaid expenses	90,419	97,345
	<u>2,044,356</u>	<u>2,072,727</u>
Capital assets (note 4)	119,640	107,785
Assets under capital lease (note 5)	28,558	35,697
	<u>\$ 2,192,554</u>	<u>\$ 2,216,209</u>
Liabilities & Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 188,457	\$ 221,652
Obligation under capital lease (note 6)	7,716	7,125
Deferred revenue (note 7)	27,918	30,219
Loan payable (note 9)	11,569	11,569
	<u>235,660</u>	<u>270,565</u>
Long term		
Obligation under capital lease (note 6)	22,210	29,926
Deferred revenue (note 7)	1,170	5,418
Deferred contribution (note 8)	22,580	32,258
Loan payable (note 9)	4,820	16,389
	<u>50,780</u>	<u>83,991</u>
Contingent liabilities (note 12)		
Net assets		
Invested in capital assets (note 10)	79,303	46,215
Unrestricted	1,826,811	1,815,438
	<u>1,906,114</u>	<u>1,861,653</u>
	<u>\$ 2,192,554</u>	<u>\$ 2,216,209</u>

Commitment (note 11)

See accompanying notes to financial statements.

On behalf of the Board:

JIM WHELAN, PRESIDENT

PAUL LINDSEY, TREASURER

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Changes in Net Assets

Year ended November 30	2005			2004
	Invested in capital assets (note 10)	Unrestricted	Total	Total
Balance, beginning of year	\$ 46,215	\$ 1,815,438	\$ 1,861,653	\$ 1,845,733
Net income (loss) for the year	(30,043)	74,504	44,461	15,920
Net investment in capital assets	63,131	(63,131)	-	-
Balance, end of year	\$ 79,303	\$ 1,826,811	\$ 1,906,114	\$ 1,861,653

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Income

Year ended November 30	2005	2004
Income		
Track revenue	\$ 2,255,291	\$ 2,295,487
Standardbred revenue allocation administration services (note 3)	76,943	87,425
Membership fees	56,768	59,035
Amortization of deferred contribution (note 8)	9,678	5,693
	2,398,680	2,447,640
Expenses		
Salaries and benefits	485,700	490,905
Professional	479,287	506,943
Member and groom assistance	390,945	310,390
Board of directors	239,573	262,404
Insurance	227,564	214,311
General office administration	205,365	208,223
Member administration	161,459	162,315
Donations	106,861	119,483
Amortization of capital assets	39,609	36,979
Marketing	34,043	110,036
Association dues	15,511	25,129
	2,385,917	2,447,118
Net income from operations	12,763	522
Interest income	31,698	15,398
Net income for the year	\$ 44,461	\$ 15,920

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Cash Flows

Year ended November 30	2005	2004
Cash provided (used) by		
Operating activities		
Net income for the year	\$ 44,461	\$ 15,920
Charges not affecting cash		
Amortization of capital assets	39,609	36,979
Amortization of deferred contribution	(9,678)	(5,693)
	<u>74,392</u>	<u>47,206</u>
Changes in non-cash balances from operations		
Dues receivable	159,630	828,997
Other receivables	137,390	(143,057)
Prepaid expenses	6,926	(31,536)
Accounts payable and accrued liabilities	(33,083)	155,224
Current portion of deferred revenue	(2,301)	5,915
	<u>268,562</u>	<u>815,543</u>
	<u>342,954</u>	<u>862,749</u>
Cash provided (used) by financing and investing activities (net)		
Decrease in obligation under capital lease	(7,125)	(6,579)
Decrease in deferred revenue	(4,248)	(17,565)
Increase in deferred contribution	-	37,950
Decrease in loan payable	(11,569)	(11,569)
Purchase of capital assets	(44,437)	(41,509)
	<u>(67,379)</u>	<u>(39,272)</u>
Increase in cash	275,575	823,477
Cash, beginning of year	1,192,112	368,635
Cash, end of year	<u>\$ 1,467,687</u>	<u>\$ 1,192,112</u>

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2005

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

The Ontario Harness Horse Association administers the 1% Standardbred Revenue Allocation 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 Standardbred Revenue Allocation program commenced September 1, 1996, and the Ontario Harness Horse Association holds the SRA funds in trust. Accordingly, the Standardbred Revenue Allocation 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.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2005

2 Accounting policies continued

(c) Revenue recognition

Track revenue

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

Track revenue is calculated at 1.5% of the aggregate purse pool of supervised harness tracks simulcasts and teletheatre. Management has estimated the aggregate purse pool accounts which are subject to independent audit in the following year. Adjustments to aggregate purse pool balances arising from the audits will be accounted for in the year in which they are audited.

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.

(d) 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.

(e) Financial instruments

The Association's financial instruments consist of cash, dues receivable, other receivables, accounts payable and accrued liabilities, obligations under capital lease and loans payable. It is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values due to the short term to maturity or current pricing.

3 Other receivables and Standardbred Revenue Allocation administration services revenue

Included in other receivables is an amount of \$26,063 (2004 - \$118,715) due from the Standardbred Revenue Allocation (SRA) program which OHHA administers. OHHA has recorded revenues in the amount of \$76,943 (2004 - \$87,425) 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.

4 Capital assets

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 141,180	\$ 109,111	\$ 32,069	\$ 26,502
Computer equipment	95,178	71,940	23,238	21,492
Computer software	12,271	3,167	9,104	-
Leasehold improvements	19,445	6,070	13,375	-
Vehicle	46,276	27,002	19,274	27,534
Trailer	37,950	15,370	22,580	32,257
	\$ 352,300	\$ 232,660	\$ 119,640	\$ 107,785

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2005

5 Assets under capital lease

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment under capital lease	\$ 43,630	\$ 15,072	\$ 28,558	\$ 35,697

6 Obligation under capital lease

	2005		2004
Agreement bearing interest at 8% per annum, requiring blended quarterly payments of \$2,474 to March 2009	\$ 29,926		\$ 37,051
Less: Current portion		7,716	7,125
	\$ 22,210		\$ 29,926

Total payments of obligations under capital lease are as follows:

	Principal	Interest	Total
2006	\$ 7,716	\$ 2,181	\$ 9,897
2007	8,356	1,541	9,897
2008	9,050	847	9,897
2009	4,804	146	4,950
	\$ 29,926	\$ 4,715	\$ 34,641

7 Deferred revenue

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

	2005		2004
Current			
Membership fees for next fiscal year	\$ 27,918		\$ 30,219
Long-term			
Membership fees for fiscal years 2007 to 2008 (2004 - 2006 to 2008)	1,170		5,418
	\$ 29,088		\$ 35,637

8 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.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2005

9 Loan payable

	2005	2004
GMAC vehicle loan, payable \$961 monthly, 0% interest maturing April 15, 2007	\$ 16,389	\$ 27,958
Less: Current portion	11,569	11,569
	\$ 4,820	\$ 16,389

Principal repayments for the next three fiscal years are as follows:

2006	11,569
2007	4,820

10 Net assets invested in capital assets

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

	2005	2004
Net investment in capital assets:		
Capital assets	\$ 119,640	\$ 107,785
Assets under capital lease	28,558	35,697
Amounts financed by:		
Obligation under capital lease	(29,926)	(37,051)
Deferred contribution	(22,580)	(32,258)
Loan payable	(16,389)	(27,958)
	\$ 79,303	\$ 46,215

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

	2005	2004
Change in net investment in capital assets:		
Purchase of capital assets	\$ 44,437	\$ 41,509
Amounts financed by:		
Obligation under capital lease	7,125	6,579
Deferred contributions	-	(37,950)
Loan payable	11,569	11,569
	\$ 63,131	\$ 21,707

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2005

11 Commitment

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 for each of the next five fiscal years is as follows:

2006	54,434
2007	56,721
2008	56,721
2009	56,721
2010	56,721

12 Contingent liabilities

(a) 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, 2005 is subject to verification and until OHHA has completed the process of reconciling and collecting all monies due, the amount of any potential liability cannot be reasonably estimated.

(b) OHHA commenced an application in the Federal Court against the Canadian Pari-Mutual Agency (CPMA) and Sudbury Downs which was dismissed with costs. As a result, CPMA and Sudbury Downs are entitled to assert a claim for costs against OHHA. No such claim has been made to date and no amount has been accrued in the association's financial statements as the amount of any claim to be made is undeterminable. Any claim for costs made by CPMA and/or Sudbury Downs will be recorded at the time the claim is submitted to OHHA.