

Financial statements of

ONTARIO HARNESS HORSE ASSOCIATION

November 30, 2006

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

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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, 2006 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, 2006 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 29, 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

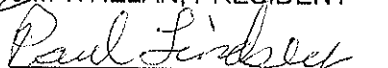
As at November 30	2006	2005
Assets		
Current		
Cash	\$ 1,101,059	\$ 1,467,687
Dues receivable	405,466	437,508
Other receivables (note 3)	64,478	48,742
Prepaid expenses	102,467	90,419
	<u>1,673,470</u>	<u>2,044,356</u>
Capital assets (note 4)	121,660	119,640
Assets under capital lease (note 5)	20,626	28,558
	<u>\$ 1,815,756</u>	<u>\$ 2,192,554</u>
Liabilities & Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 119,611	\$ 188,457
Obligation under capital lease (note 6)	8,356	7,716
Deferred revenue (note 7)	32,060	27,918
Loan payable (note 9)	4,820	11,569
	<u>164,847</u>	<u>235,660</u>
Long term		
Obligation under capital lease (note 6)	13,854	22,210
Deferred revenue (note 7)	41,082	1,170
Deferred contribution (note 8)	15,806	22,580
Loan payable (note 9)	-	4,820
	<u>70,742</u>	<u>50,780</u>
Contingent liabilities (note 12)		
Net assets		
Invested in capital assets (note 10)	99,450	79,303
Unrestricted	1,480,717	1,826,811
	<u>1,580,167</u>	<u>1,906,114</u>
	<u>\$ 1,815,756</u>	<u>\$ 2,192,554</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

Balance Sheet

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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	2006			2005
	Invested in capital assets (note 10)	Unrestricted	Total	Total
Balance, beginning of year	\$ 79,303	\$ 1,826,811	\$ 1,906,114	\$ 1,861,653
Net income (loss) for the year	(36,440)	(289,507)	(325,947)	44,461
Net investment in capital assets	56,587	(56,587)	-	-
Balance, end of year	\$ 99,450	\$ 1,480,717	\$ 1,580,167	\$ 1,906,114

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION

Statement of Income

Year ended November 30	2006	2005
Income		
Track revenue	\$ 1,992,206	\$ 2,255,291
Standardbred revenue allocation administration services (note 3)	74,521	76,943
Membership fees	47,000	56,768
Amortization of deferred contribution (note 8)	6,774	9,678
	<u>2,120,501</u>	<u>2,398,680</u>
Expenses		
Salaries and benefits	531,464	485,700
Member and groom assistance	447,823	390,945
Professional	392,990	479,287
Board of directors	257,982	239,573
Insurance	237,175	227,564
General office administration	236,517	205,365
Donations	161,088	106,861
Member administration	134,930	161,459
Amortization of capital assets	43,215	39,609
Marketing	31,878	34,043
Association dues	14,581	15,511
	<u>2,489,643</u>	<u>2,385,917</u>
Net income (loss) from operations	(369,142)	12,763
Interest income	43,195	31,698
Net income (loss) for the year	<u>\$ (325,947)</u>	<u>\$ 44,461</u>

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION

Statement of Cash Flows

Year ended November 30	2006	2005
Cash provided (used) by		
Operating activities		
Net income (loss) for the year	\$ (325,947)	\$ 44,461
Charges not affecting cash		
Amortization of capital assets	43,215	39,609
Amortization of deferred contribution	(6,774)	(9,678)
	(289,506)	74,392
Changes in non-cash balances from operations		
Dues receivable	32,042	159,630
Other receivables	(15,736)	137,390
Prepaid expenses	(12,048)	6,926
Accounts payable and accrued liabilities	(68,847)	(33,083)
Deferred revenue	44,054	(6,549)
	(20,535)	264,314
	(310,041)	338,706
Cash provided (used) by financing and investing activities (net)		
Decrease in obligation under capital lease	(7,716)	(7,125)
Decrease in loan payable	(11,569)	(11,569)
Purchase of capital assets	(38,572)	(44,437)
Proceeds on disposal of capital assets	1,270	-
	(56,587)	(63,131)
Increase (decrease) in cash during the year	(366,628)	275,575
Cash, beginning of year	1,467,687	1,192,112
Cash, end of year	\$ 1,101,059	\$ 1,467,687

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2006

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

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.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2006

2 Accounting policies continued

(c) Revenue recognition continued

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 \$23,487 (2005 - \$26,063) due from the Standardbred Revenue Allocation (SRA) program which OHHA administers. OHHA has recorded revenues in the amount of \$74,521 (2005 - \$76,943) 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

2006	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 159,155	\$ 117,322	\$ 41,833
Computer equipment	96,417	76,712	19,705
Computer software	16,984	8,898	8,086
Leasehold improvements	26,750	4,012	22,738
Vehicle	46,276	32,785	13,491
Trailer	37,950	22,143	15,807
	\$ 383,532	\$ 261,872	\$ 121,660
2005	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 141,180	\$ 109,111	\$ 32,069
Computer equipment	95,178	71,940	23,238
Computer software	12,271	3,167	9,104
Leasehold improvements	13,375	-	13,375
Vehicle	46,276	27,002	19,274
Trailer	37,950	15,370	22,580
	\$ 346,230	\$ 226,590	\$ 119,640

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2006

5 Assets under capital lease

2006	Cost	Accumulated Amortization	Net Book Value
Office equipment under capital lease	\$ 43,630	\$ 23,004	\$ 20,626
2005	Cost	Accumulated Amortization	Net Book Value
Office equipment under capital lease	\$ 43,630	\$ 15,072	\$ 28,558

6 Obligation under capital lease

	2006	2005
Agreement bearing interest at 8% per annum, requiring blended quarterly payments of \$2,474 to March 2009	\$ 22,210	\$ 29,926
Less: Current portion	8,356	7,716
	\$ 13,854	\$ 22,210

Total payments of obligations under capital lease are as follows:

	Principal	Interest	Total
2007	\$ 8,356	\$ 1,541	\$ 9,897
2008	9,050	847	9,897
2009	4,804	146	4,950
	\$ 22,210	\$ 2,534	\$ 24,744

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:

	2006	2005
Current		
Membership fees for next fiscal year	\$ 32,060	\$ 27,918
Long-term		
Membership fees for fiscal years 2007 to 2011 (2005 - 2006)	41,082	1,170
	\$ 73,142	\$ 29,088

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, 2006

9 Loan payable

	2006	2005
GMAC vehicle loan, payable \$961 monthly, 0% interest maturing April 15, 2007	\$ 4,820	\$ 16,389
Less: Current portion	4,820	11,569
	\$ -	\$ 4,820

10 Net assets invested in capital assets

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

	2006	2005
Net investment in capital assets:		
Capital assets	\$ 121,660	\$ 119,640
Assets under capital lease	20,626	28,558
Amounts financed by:		
Obligation under capital lease	(22,210)	(29,926)
Deferred contribution	(15,806)	(22,580)
Loan payable	(4,820)	(16,389)
	\$ 99,450	\$ 79,303

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

	2006	2005
Change in net investment in capital assets:		
Purchase of capital assets	\$ 38,572	\$ 44,437
Disposal of capital assets	(1,270)	-
Amounts financed by:		
Obligation under capital lease	7,716	7,125
Loan payable	11,569	11,568
	\$ 56,587	\$ 63,130

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2006

11 Commitments

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

2007	56,191
2008	56,191
2009	56,191
2010	56,191
2011	46,826

(b) SRA marketing contract

The association has entered into a contract on behalf of the Standardbred Revenue Allocation Program (SRA) with Consumer Impact Marketing Limited (CIML) for CIML to provide brand marketing services for the SRA program. The services are expected to be provided over three years, commencing October 1, 2006. Fees will be paid by OHHA to CIML based on authorized program schedules and will be fully recoverable by OHHA from the SRA marketing program.

(c) Loan to Quinte Exhibition and Raceway

The association approved a loan to the Purse Account at Quinte Raceway up to \$50,000. The loan has not been advanced to date. Terms of repayment have not yet been determined.

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, 2006 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) Subsequent to the year end, an Ontario racetrack has commenced legal action against OHHA, certain directors, officers and other individuals. The amount of the claim exceeds \$56,000,000. Management does not believe any financial loss to OHHA is likely as a result of this claim. If any losses arise as a result of the claim, it will be recognized in the year of disposition of the claim.

13 Related party transactions

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

	2006	2005
Honorarium paid to President	\$ 48,326	\$ 33,441
Remuneration to Directors and Officers for attendance at meetings	35,235	28,050
Professional fees paid to a company owned by an Officer of the association	19,155	22,470
Miscellaneous transactions	1,676	1,320

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 related to these transactions have been paid.