

Financial statements of

ONTARIO HARNESS HORSE ASSOCIATION

November 30, 2007

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, 2007 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, 2007 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 20, 2007

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	2007	2006
Assets		
Current		
Cash	\$ 768,872	\$ 1,101,059
Dues receivable	412,648	405,466
Other receivables (note 3)	-	64,478
Prepaid expenses	102,239	102,467
	1,283,759	1,673,470
Capital assets (note 4)	93,269	121,660
Assets under capital lease (note 5)	12,693	20,626
	\$ 1,389,721	\$ 1,815,756
Liabilities & Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 156,817	\$ 119,610
Obligation under capital lease (note 6)	9,050	8,356
Deferred revenue (note 7)	41,687	32,060
Loan payable	-	4,821
	207,554	164,847
Long term		
Obligation under capital lease (note 6)	4,804	13,854
Deferred revenue (note 7)	34,654	41,082
Deferred contribution (note 8)	11,071	15,806
	50,529	70,742
Contingent liabilities (note 11)		
Net assets		
Invested in capital assets (note 9)	81,037	99,450
Unrestricted	1,050,601	1,480,717
	1,131,638	1,580,167
	\$ 1,389,721	\$ 1,815,756

Commitments (note 10)

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	2007			2006
	Invested in capital assets (note 9)	Unrestricted	Total	Total
Balance, beginning of year	\$ 99,450	\$ 1,480,717	\$ 1,580,167	\$ 1,906,114
Net loss for the year	(33,841)	(414,688)	(448,529)	(325,947)
Net investment in capital assets	15,428	(15,428)	-	-
Balance, end of year	\$ 81,037	\$ 1,050,601	\$ 1,131,638	\$ 1,580,167

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Income

Year ended November 30	2007	2006
Income		
Track revenue (note 2c)	\$ 1,843,763	\$ 1,992,206
Standardbred revenue allocation administration services (note 3)	72,730	74,521
Membership fees	45,610	47,000
Amortization of deferred contribution (note 8)	4,735	6,774
	1,966,838	2,120,501
Expenses		
Salaries and benefits	535,686	531,464
Member and groom assistance	512,678	447,823
Professional	370,870	392,990
Board of directors	260,726	257,982
Insurance	239,288	237,175
General office administration	220,104	236,517
Donations	168,494	161,088
Member administration	68,296	134,930
Amortization of capital assets	38,576	43,215
Marketing	22,084	31,878
Association dues	16,830	14,581
	2,453,632	2,489,643
Net loss from operations	(486,794)	(369,142)
Interest income	38,265	43,195
Net loss for the year	\$ (448,529)	\$ (325,947)

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Cash Flows

Year ended November 30	2007	2006
Cash provided (used) by		
Operating activities		
Net loss for the year	\$ (448,529)	\$ (325,947)
Charges not affecting cash		
Amortization of capital assets	38,576	43,215
Amortization of deferred contribution	(4,735)	(6,774)
	(414,688)	(289,506)
Changes in non-cash balances from operations		
Dues receivable	(7,182)	32,041
Other receivables	64,478	(15,736)
Prepaid expenses	228	(12,049)
Accounts payable and accrued liabilities	37,206	(68,845)
Deferred revenue	3,199	44,054
	97,929	(20,535)
	(316,759)	(310,041)
Cash provided (used) by financing and investing activities (net)		
Decrease in obligation under capital lease	(8,356)	(7,716)
Decrease in loan payable	(4,821)	(11,569)
Purchase of capital assets	(2,251)	(38,572)
Proceeds on disposal of capital assets	-	1,270
	(15,428)	(56,587)
Decrease in cash during the year	(332,187)	(366,628)
Cash, beginning of year	1,101,059	1,467,687
Cash, end of year	\$ 768,872	\$ 1,101,059

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2007

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, 2007

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 estimated the aggregate purse pool amounts for 2007 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 outstanding purse pool statements. Adjustments to the track revenue estimates arising upon receipt of the purse pool 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 pool 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

The association has adopted the recommendations of CICA 3855, Financial Instruments effective November 1, 2006. Cash, dues and other receivables are classified as available for sale and measured at fair value. Accounts payable and accrued liabilities, obligations under capital lease, and loan payable are classified as other financial liabilities and measured at amortized cost.

There is no adjustment required to opening unrestricted net assets as a result of the change in accounting policies for its financial instruments.

(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 \$Nil (2006 - \$23,487) due from the Standardbred Revenue Allocation (SRA) program which OHHA administers. OHHA has recorded revenues in the amount of \$72,730 (2006 - \$74,521) 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, 2007

4 Capital assets

	2007		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 159,754	\$ 125,704	\$ 34,050
Computer equipment	96,987	80,701	16,286
Computer software	18,067	13,031	5,036
Leasehold improvements	26,750	9,362	17,388
Vehicle	46,276	36,832	9,444
Trailer	37,950	26,885	11,065
	\$ 385,784	\$ 292,515	\$ 93,269

	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

5 Assets under capital lease

	2007		
	Cost	Accumulated Amortization	Net Book Value
Office equipment under capital lease	\$ 43,630	\$ 30,937	\$ 12,693

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

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2007

6 Obligation under capital lease

	2007	2006
Agreement bearing interest at 8% per annum, requiring blended quarterly payments of \$2,474 to March 2009	\$ 13,854	\$ 22,210
Less: Current portion	9,050	8,356
	\$ 4,804	\$ 13,854

Total payments of obligations under capital lease are as follows:

	Principal	Interest	Total
2008	\$ 9,050	\$ 847	\$ 9,897
2009	4,804	146	4,950
	\$ 13,854	\$ 993	\$ 14,847

7 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:

	2007	2006
Current		
Membership fees for next fiscal year	\$ 33,700	\$ 32,060
Track revenue received in advance	7,987	-
	41,687	32,060
Long-term		
Membership fees for fiscal years 2009 to 2012 (2006 - 2008 to 2011)	34,654	41,082
	\$ 76,341	\$ 73,142
Balance, beginning of year	\$ 73,142	\$ 29,088
Membership fees received	40,822	91,054
Track revenue received in advance	7,987	-
Membership fees earned	(45,610)	(47,000)
Balance, end of year	\$ 76,341	\$ 73,142

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2007

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.

	2007	2006
Balance, beginning of year	\$ 15,806	\$ 22,580
Amortization	(4,735)	(6,774)
Balance, end of year	\$ 11,071	\$ 15,806

9 Net assets invested in capital assets

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

	2007	2006
Net investment in capital assets:		
Capital assets	\$ 93,269	\$ 121,660
Assets under capital lease	12,693	20,626
Amounts financed by:		
Obligation under capital lease	(13,854)	(22,210)
Deferred contribution	(11,071)	(15,806)
Loan payable	-	(4,820)
	\$ 81,037	\$ 99,450

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

	2007	2006
Change in net investment in capital assets:		
Purchase of capital assets	\$ 2,251	\$ 38,572
Repayment of:		
Obligation under capital lease	8,356	7,716
Loan payable	4,821	11,569
	\$ 15,428	\$ 57,857

10 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, excluding an estimate of the proportionate share of property taxes, maintenance and insurance, for each of the next four fiscal years is as follows:

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

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2007

10 Commitments continued

(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.

11 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, 2007 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.

(b) OHHA has been named as a defendant in several lawsuits. The association denies any liability with respect to these actions and no amounts have been accrued in the financial statements except for legal fees to defend the actions.

12 Related party transactions

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

	2007	2006
Honorarium paid to President	\$ 45,833	\$ 48,326
Remuneration to Directors and Officers for attendance at meetings	43,450	35,235
Professional fees paid to a company owned by Chair of Audit Committee	23,850	19,155
Miscellaneous transactions	-	1,676

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.

13 Financial instruments

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