

Financial statements of

ONTARIO HARNESS HORSE ASSOCIATION

November 30, 2008

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, 2008 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, 2008 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, 2008

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	2008	2007
Assets		
Current		
Cash	\$ 1,129,553	\$ 768,872
Dues receivable	383,207	412,648
Other receivables (note 3)	18,571	-
Prepaid expenses	85,053	102,239
	<u>1,616,384</u>	<u>1,283,759</u>
Capital assets (note 4)	72,621	93,269
Assets under capital lease (note 5)	4,760	12,693
	<u>\$ 1,693,765</u>	<u>\$ 1,389,721</u>
Liabilities & Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 44,920	\$ 156,818
Obligation under capital lease (note 6)	4,804	9,050
Deferred revenue (note 7)	33,107	41,687
	<u>82,831</u>	<u>207,555</u>
Long term		
Obligation under capital lease (note 6)	-	4,804
Deferred revenue (note 7)	29,292	34,654
Deferred contribution (note 8)	7,752	11,071
	<u>37,044</u>	<u>50,529</u>
Contingent liabilities (note 11)		
Net assets		
Invested in capital assets (note 9)	64,825	81,037
Unrestricted	1,509,065	1,050,600
	<u>1,573,890</u>	<u>1,131,637</u>
	<u>\$ 1,693,765</u>	<u>\$ 1,389,721</u>

Commitments (note 10)

See accompanying notes to financial statements.

On behalf of the Board:

JIM WHELAN, PRESIDENT

COLLEEN BELORE, TREASURER

ONTARIO HARNESS HORSE ASSOCIATION

Statement of Changes in Net Assets

Year ended November 30	2008			2007
	Invested in capital assets (note 9)	Unrestricted	Total	Total
Balance, beginning of year	\$ 81,037	\$ 1,050,600	\$ 1,131,637	\$ 1,580,166
Net income (loss) for the year	(29,084)	471,337	442,253	(448,529)
Net investment in capital assets	12,872	(12,872)	-	-
Balance, end of year	\$ 64,825	\$ 1,509,065	\$ 1,573,890	\$ 1,131,637

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Income

Year ended November 30	2008	2007
Income		
Track revenue (note 2c)	\$ 2,124,231	\$ 1,831,731
Standardbred revenue allocation administration services (note 3)	71,516	72,730
Membership fees	36,337	45,610
Amortization of deferred contribution (note 8)	3,319	4,735
National Capital Region Harness Horse Association	40,590	12,032
	2,275,993	1,966,838
Expenses		
Salaries and benefits	478,571	535,686
Member and groom assistance	425,909	512,678
Professional	100,488	370,870
Board of directors	179,945	260,726
Insurance	222,355	239,288
General office administration	210,941	220,104
Donations	113,187	168,494
Member administration	56,190	68,296
Amortization of capital assets	32,402	38,576
Marketing	22,221	22,084
Association dues	16,577	16,830
	1,858,786	2,453,632
Net income (loss) from operations	417,207	(486,794)
Interest income	25,046	38,265
Net income (loss) for the year	\$ 442,253	\$ (448,529)

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Cash Flows

Year ended November 30	2008	2007
Cash provided (used) by		
Operating activities		
Net income (loss) for the year	\$ 442,253	\$ (448,529)
Charges not affecting cash		
Amortization of capital assets	32,402	38,576
Amortization of deferred contribution	(3,319)	(4,735)
	471,336	(414,688)
Changes in non-cash balances from operations		
Dues receivable	29,441	(7,182)
Other receivables	(18,571)	64,478
Prepaid expenses	17,186	228
Accounts payable and accrued liabilities	(111,897)	37,206
Deferred revenue	(13,942)	3,199
	(97,783)	97,929
	373,553	(316,759)
Cash provided (used) by financing and investing activities (net)		
Decrease in obligation under capital lease	(9,050)	(8,356)
Decrease in loan payable	-	(4,821)
Purchase of capital assets	(3,822)	(2,251)
	(12,872)	(15,428)
Increase (decrease) in cash during the year	360,681	(332,187)
Cash, beginning of year	768,872	1,101,059
Cash, end of year	\$ 1,129,553	\$ 768,872

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2008

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, 2008

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 2008 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 \$18,571 (2007 - \$Nil) due from the Standardbred Revenue Allocation (SRA) program which OHHA administers. OHHA has recorded revenues in the amount of \$71,516 (2007 - \$72,730) 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, 2008

4 Capital assets

				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			
				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			

5 Assets under capital lease

				2008		
	Cost	Accumulated Amortization	Net Book Value			
Office equipment under capital lease	\$ 43,630	\$ 38,870	\$ 4,760			
				2007		
	Cost	Accumulated Amortization	Net Book Value			
Office equipment under capital lease	\$ 43,630	\$ 30,937	\$ 12,693			

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2008

6 Obligation under capital lease

	2008	2007
Agreement bearing interest at 8% per annum, requiring blended quarterly payments of \$2,474 to March 2009	\$ 4,804	\$ 13,854
Less: Current portion	4,804	9,050
	\$ -	\$ 4,804

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:

	2008	2007
Current		
Membership fees for next fiscal year	\$ 31,250	\$ 33,700
Track revenue received in advance	1,857	7,987
	33,107	41,687
Long-term		
Membership fees for fiscal years 2010 to 2013 (2007 - 2009 to 2012)	29,292	34,654
	\$ 62,399	\$ 76,341
Balance, beginning of year	\$ 76,341	\$ 73,142
Membership fees received	28,525	40,822
Track revenue received in advance	1,857	7,987
Membership fees earned	(36,337)	(45,610)
Track revenue earned	(7,987)	-
Balance, end of year	\$ 62,399	\$ 76,341

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.

	2008	2007
Balance, beginning of year	\$ 11,071	\$ 15,806
Amortization	(3,319)	(4,735)
Balance, end of year	\$ 7,752	\$ 11,071

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2008

9 Net assets invested in capital assets

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

	2008		2007
Net investment in capital assets:			
Capital assets	\$ 72,621	\$	93,269
Assets under capital lease	4,760		12,693
Amounts financed by:			
Obligation under capital lease	(4,804)		(13,854)
Deferred contribution	(7,752)		(11,071)
	\$ 64,825	\$	81,037

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

	2008		2007
Change in net investment in capital assets:			
Purchase of capital assets	\$ 3,822	\$	2,251
Repayment of:			
Obligation under capital lease	9,050		8,356
Loan payable	-		4,821
	\$ 12,872	\$	15,428

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:

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. The contract is cancellable upon 60 days written notice.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2008

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, 2008 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:

	2008	2007
Honorarium paid to President	\$ 50,000	\$ 45,833
Remuneration to Directors and Officers for attendance at meetings	25,750	43,450
Professional fees paid to a company owned by the former Chair of the Audit Committee	11,042	23,850

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 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.