

Financial statements of

**ONTARIO HARNESS HORSE ASSOCIATION**

November 30, 2010

# *Tinkham & Associates LLP*

CHARTERED ACCOUNTANTS

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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, 2010 and the statements of income 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, 2010 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, 2010

*Tinkham & Associates LLP*  
CHARTERED ACCOUNTANTS

**Licensed Public Accountants**

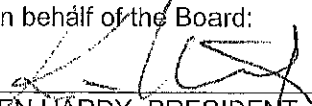
**ONTARIO HARNESS HORSE ASSOCIATION**  
Balance Sheet

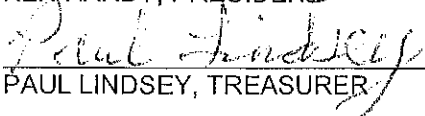
As at November 30	2010	2009
<b>Assets</b>		
Current		
Cash	\$ 354,283	\$ 661,866
Dues receivable	321,617	297,504
Other receivables (note 3)	51,482	63,869
Prepaid expenses	40,204	50,074
	<u>767,586</u>	<u>1,073,313</u>
Capital assets (note 4)	36,876	52,964
	<u>\$ 804,462</u>	<u>\$ 1,126,277</u>
<b>Liabilities &amp; Net Assets</b>		
Current		
Accounts payable and accrued liabilities	\$ 46,928	\$ 75,478
Deferred revenue (note 5)	22,587	26,952
	<u>69,515</u>	<u>102,430</u>
Long term		
Deferred revenue (note 5)	16,153	21,708
Deferred contribution (note 6)	3,802	5,429
	<u>19,955</u>	<u>27,137</u>
Contingent liability (note 8)		
Net assets	714,992	996,710
	<u>\$ 804,462</u>	<u>\$ 1,126,277</u>

Commitment (note 7)

See accompanying notes to financial statements.

On behalf of the Board:

  
KEN HARDY, PRESIDENT

  
PAUL LINDSEY, TREASURER

**ONTARIO HARNESS HORSE ASSOCIATION**  
Statement of Income

Year ended November 30	2010	2009
<b>Income</b>		
Track revenue (note 2b)	\$ 1,001,372	\$ 1,098,632
Standardbred revenue allocation administration services (note 3)	70,071	71,166
Membership fees	27,746	40,928
Amortization of deferred contribution (note 6)	1,627	2,323
National Capital Region Harness Horse Association	-	36,230
	<b>1,100,816</b>	<b>1,249,279</b>
<b>Expenses</b>		
Member and groom assistance	347,760	406,552
Professional	254,260	373,251
Salaries and benefits	220,009	357,719
General office administration	203,647	210,652
Board of directors	116,411	198,702
Insurance	105,461	128,227
Donations	75,820	80,333
Member administration	32,639	31,096
Amortization of capital assets	16,088	24,418
Marketing	12,564	22,753
	<b>1,384,659</b>	<b>1,833,703</b>
Net loss from operations	(283,843)	(584,424)
Interest income	2,125	7,242
Net operating loss for the year	(281,718)	\$ (577,182)
Net assets, beginning of year	996,710	1,573,892
Net assets, end of year	\$ 714,992	996,710

See accompanying notes to financial statements.

**ONTARIO HARNESS HORSE ASSOCIATION**  
Statement of Cash Flows

Year ended November 30	2010	2009
Cash provided (used) by		
Operating activities		
Net operating loss for the year	\$ (281,718)	\$ (577,182)
Charges not affecting cash		
Amortization of capital assets	16,088	24,418
Amortization of deferred contribution	(1,627)	(2,323)
	<u>(267,257)</u>	<u>(555,087)</u>
Changes in non-cash balances from operations		
Dues receivable	(24,113)	85,703
Other receivables	12,387	(45,298)
Prepaid expenses	9,870	34,979
Accounts payable and accrued liabilities	(28,550)	30,559
Deferred revenue	(9,920)	(13,739)
	<u>(40,326)</u>	<u>92,204</u>
	<u>(307,583)</u>	<u>(462,883)</u>
Cash used by investing activities		
Decrease in obligation under capital lease	-	(4,804)
Decrease in cash during the year	(307,583)	(467,687)
Cash, beginning of year	661,866	1,129,553
Cash, end of year	<u>\$ 354,283</u>	<u>\$ 661,866</u>

See accompanying notes to financial statements.

# ONTARIO HARNESS HORSE ASSOCIATION

## Notes to the Financial Statements

November 30, 2010

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### 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) 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, 2010

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### 2 Accounting policies continued

#### (b) 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 2010 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.

#### (c) 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.

#### (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.

### 3 Other receivables and Standardbred Revenue Allocation administration services revenue

Included in other receivables is an amount of \$18,378 (2009 - \$37,850) due from the Standardbred Revenue Allocation (SRA) program which OHHA administers. OHHA has recorded revenues in the amount of \$70,071 (2009 - \$71,166) 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, 2010

**4 Capital assets**

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 162,719	\$ 143,577	\$ 162,719	\$ 138,792
Computer equipment	97,844	89,112	97,844	86,804
Computer software	18,067	17,438	18,067	16,808
Leasehold improvements	26,750	25,412	26,750	20,062
Vehicle	46,276	43,037	46,276	41,648
Trailer	37,950	34,154	37,950	32,528
	<b>\$ 389,606</b>	<b>\$ 352,730</b>	<b>\$ 389,606</b>	<b>\$ 336,642</b>
		<b>\$ 36,876</b>		<b>\$ 52,964</b>

**5 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:

	2010	2009
Current		
Membership fees for next fiscal year	\$ 22,587	\$ 26,952
Long-term		
Membership fees for fiscal years 2012 to 2015 (2009 - 2011 to 2014)	16,153	21,708
	<b>\$ 38,740</b>	<b>\$ 48,660</b>
Balance, beginning of year	\$ 48,660	\$ 62,399
Membership fees received	17,826	29,046
Membership fees earned	(27,746)	(40,928)
Track revenue earned	-	(1,857)
Balance, end of year	<b>\$ 38,740</b>	<b>\$ 48,660</b>



# ONTARIO HARNESS HORSE ASSOCIATION

## Notes to the Financial Statements

November 30, 2010

### 6 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.

	2010	2009
Balance, beginning of year	\$ 5,429	\$ 7,752
Amortization	(1,627)	(2,323)
Balance, end of year	\$ 3,802	\$ 5,429

### 7 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, excluding an estimate of the proportionate share of property taxes, maintenance and insurance, for the next fiscal year is \$47,709.

### 8 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, 2010 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.

### 9 Related party transactions

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

	2010	2009
Honorarium to OHHA President	\$ 30,027	\$ 50,000
Remuneration to Directors and Officers for attendance at meetings	16,615	32,565
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.

### 10 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.