

Financial statements of

ONTARIO HARNESS HORSE ASSOCIATION

November 30, 2011

Tinkham & Associates LLP

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Ontario Harness Horse Association

We have audited the accompanying financial statements of Ontario Harness Horse Association, which comprise the balance sheet as at November 30, 2011, and the statements of income and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Harness Horse Association as at November 30, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
January 23, 2012

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

Licensed Public Accountants

ONTARIO HARNESS HORSE ASSOCIATION

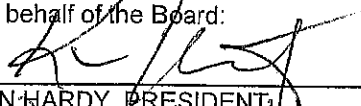
Balance Sheet

As at November 30	2011	2010
Assets		
Current		
Cash	\$ 85,485	\$ 354,283
Restricted cash (note 4)	337,326	-
Dues receivable	243,830	321,617
Other receivables (note 5)	3,469	51,482
Prepaid expenses	41,329	40,204
	<u>711,439</u>	<u>767,586</u>
Capital assets (note 6)	44,366	36,876
	<u>\$ 755,805</u>	<u>\$ 804,462</u>
Liabilities & Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 83,230	\$ 46,928
Deferred revenue (note 7)	16,671	22,587
Funds held from Purse Distribution and SRA (note 4)	337,326	-
	<u>437,227</u>	<u>69,515</u>
Long term		
Deferred revenue (note 7)	16,278	16,153
Deferred contribution (note 8)	2,662	3,802
	<u>18,940</u>	<u>19,955</u>
Contingent liabilities (note 10)		
Net assets	299,638	714,992
	<u>\$ 755,805</u>	<u>\$ 804,462</u>

Commitment (note 9)

See accompanying notes to financial statements.

On behalf of the Board:


KEN HARDY, PRESIDENT


PAUL LINDSEY, TREASURER

ONTARIO HARNESS HORSE ASSOCIATION

Statement of Income and Changes in Net Assets

Year ended November 30	2011	2010
Income		
Track revenue (note 2b)	\$ 989,276	\$ 1,001,372
Standardbred revenue allocation administration services (note 5)	972	70,071
Membership fees	33,401	27,746
Amortization of deferred contribution (note 8)	1,140	1,627
COSA	34,061	-
	1,058,850	1,100,816
Expenses		
Member and groom assistance	376,137	347,760
Professional	294,566	254,260
Salaries and benefits	249,522	220,009
General office administration	199,218	203,647
Insurance	106,282	105,461
Board of directors	95,722	116,411
Bad debt expense	69,354	-
Donations	43,204	75,820
Marketing	16,263	12,564
Member administration	13,679	32,639
Amortization of capital assets	11,331	16,088
	1,475,278	1,384,659
Net loss from operations	(416,428)	(283,843)
Interest income	1,074	2,125
Net operating loss for the year	(415,354)	(281,718)
Net assets, beginning of year	714,992	996,710
Net assets, end of year	\$ 299,638	\$ 714,992

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Cash Flows

Year ended November 30	2011	2010
Cash provided (used) by		
Operating activities		
Net operating loss for the year	\$ (415,354)	\$ (281,718)
Charges not affecting cash		
Amortization of capital assets	11,331	16,088
Amortization of deferred contribution	(1,140)	(1,627)
	<u>(405,163)</u>	<u>(267,257)</u>
Changes in non-cash balances from operations		
Dues receivable	77,787	(24,113)
Other receivables	48,013	12,387
Prepaid expenses	(1,125)	9,870
Accounts payable and accrued liabilities	36,301	(28,550)
Deferred revenue	(5,791)	(9,920)
	<u>155,185</u>	<u>(40,326)</u>
	<u>(249,978)</u>	<u>(307,583)</u>
Cash used by investing activities		
Purchase of capital assets	(18,820)	-
Decrease in cash during the year	(268,798)	(307,583)
Cash, beginning of year	354,283	661,866
Unrestricted Cash, end of year	\$ 85,485	\$ 354,283

See accompanying notes to financial statements.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2011

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. Amortization is provided over their estimated useful lives, 1/2 in the year of addition. Office and computer equipment, computer software, vehicle and trailer are provided for on a declining balance basis at rates ranging from 20% to 30% per annum. Leasehold improvements and website development costs are provided for on a straight line basis over 5 years.

(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.

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.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2011

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 either the aggregate purse pool or purses paid of certain supervised harness racetracks in Ontario. Management has recorded estimated dues for 2011 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.

(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. The allowance for doubtful accounts represents a significant estimate in these financial statements. Actual results could differ from management's best estimates as additional information becomes available in the future.

3 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.

4 Restricted cash

During the year, the Association transferred \$320,155 from the purse distribution account which OHHA previously maintained pursuant to the terms of its purse account manager licence (see note 10). These funds were transferred without the approval of the ORC.

The Association loaned \$190,448 to the purse distribution account in prior years and is seeking to recover all or a portion of this loan. It is reasonable to expect part or all of this loan is included in the transfer of the \$320,155 and once approved by the ORC, any recoveries will be accounted for as income in the year approved.

Also during the year, the Association transferred \$17,171 on account of administration fees (see note 5) from the Standardbred Revenue Allocation account without the approval of the ORC. The ORC disallowed the administration fee request made by OHHA for the current year.

Until such time as the cash transfer from the purse distribution account is approved, the cash is restricted in use and the Association is not permitted to utilize this cash for operations.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2011

5 Other receivables and Standardbred Revenue Allocation administration services revenue

Included in other receivables is an amount of \$3,469 (2010 - \$18,378) due from the Standardbred Revenue Allocation (SRA) program which OHHA administers for reimbursement of expenses paid. OHHA has recorded revenues in the amount of \$972 (2010 - \$70,071) 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.

The ORC has not approved the SRA administration fee for the current fiscal year and therefore no revenue has been recognized. Administration fees will be recorded as revenue if approval is received.

6 Capital assets

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 162,719	\$ 147,405	\$ 162,719	\$ 143,577
Computer equipment	100,160	91,090	97,844	89,112
Computer software	18,067	17,831	18,067	17,438
Vehicle	46,276	44,023	46,276	43,037
Trailer	37,950	35,311	37,950	34,154
Website development costs	16,504	1,650	-	-
Leasehold improvements	-	-	26,750	25,412
	\$ 381,676	\$ 337,310	\$ 389,606	\$ 352,730
Net book value		\$ 44,366		\$ 36,876

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:

	2011	2010
Current		
Membership fees for next fiscal year	\$ 16,671	\$ 22,587
Long-term		
Membership fees for fiscal years 2012 to 2015 (2010 - 2011 to 2014)	16,278	16,153
	\$ 32,949	\$ 38,740
Balance, beginning of year	\$ 38,740	\$ 48,660
Membership fees received	27,610	17,826
Membership fees earned	(33,401)	(27,746)
Balance, end of year	\$ 32,949	\$ 38,740

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2011

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.

	2011	2010
Balance, beginning of year	\$ 3,802	\$ 5,429
Amortization	(1,140)	(1,627)
Balance, end of year	\$ 2,662	\$ 3,802

9 Commitment

The Association has entered into a lease agreement for office premises for a three year term effective November 1, 2011 and the lease expires October 31, 2014. The minimum annual payments required under this lease, excluding an estimate of the proportionate share of property taxes, maintenance and insurance, for the next three fiscal years is as follows:

2012	19,021
2013	19,470
2014	18,235

10 Contingent liabilities

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, 2011 is subject to ORC approval and, until OHHA has completed the process of verification of the reconciliation and collection of monies due, the amount of any potential liability or recovery cannot be reasonably estimated. During the year the Association transferred the cash held in the Purse distribution account as described in note 4 without ORC approval.

OHHA has several contingent liabilities as at November 30, 2011. Included in these contingencies is an appeal of an ORC ruling demanding a payment of \$100,000 for costs incurred by the ORC arising from a prior year's inquiry. Other contingent liabilities relate to potential costs in connection with legal proceedings, the amount and likelihood of payment are currently unknown.

The amounts which may be payable as matters are resolved may be material but the likelihood of the outcomes are unknown and therefore no amounts have been accrued in these financial statements to date. Any amounts due will be recorded when known.

11 Related party transactions

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

	2011	2010
Honorarium to OHHA President	\$ 30,000	\$ 30,027
Remuneration to Directors and Officers for attendance at meetings	15,935	16,615

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.