

Financial statements of

ONTARIO HARNESS HORSE ASSOCIATION

November 30, 2016

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, 2016 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 accounting standards for not-for-profit organizations 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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 in the financial statements which describes the existence of a material uncertainty that may cast significant doubt about the Association's ability to continue as a going concern.

Toronto, Ontario
January 11, 2017

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

Licensed Public Accountants

ONTARIO HARNESS HORSE ASSOCIATION

Balance Sheet

As at November 30	2016	2015
Assets		
Current		
Cash	\$ 239,007	\$ 150,677
Restricted cash (note 4)	-	129,448
Dues receivable	33,170	39,412
Other receivables (note 5)	53,154	39,637
Prepaid expenses	34,754	24,497
	360,085	383,671
Capital assets (note 6)	10,544	14,978
	\$ 370,629	\$ 398,649
Liabilities & Net Assets		
Current		
Accounts payable and accrued liabilities (note 7)	\$ 46,219	\$ 49,362
Other payables (note 5)	-	33,760
Deferred revenue (note 8)	10,117	11,067
Funds held from Purse Distribution and SRA (note 4)	-	129,448
	56,336	223,637
Long term		
Deferred revenue (note 8)	10,709	8,217
Deferred contribution	-	658
	10,709	8,875
	67,045	232,512
Net assets	303,584	166,137
	\$ 370,629	\$ 398,649

Commitments (note 9)

See accompanying notes to the 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	2016	2015
Income		
Track revenue	\$ 421,993	\$ 380,626
Provincial government contribution to member benefits (note 5)	261,088	227,114
Standardbred revenue allocation administration services (note 5)	68,846	68,915
Membership fees (note 8)	13,753	17,073
Amortization of deferred contribution	658	271
	766,338	693,999
Expenses		
Member and groom assistance	238,279	205,859
Salaries and benefits	217,103	254,109
General office administration	94,587	110,938
Insurance	74,009	84,914
Board of Directors	61,212	51,564
Professional	31,248	13,039
Donations	21,794	10,908
Member administration	8,217	7,706
Marketing	7,456	3,031
Amortization of capital assets	4,434	6,571
	758,339	748,639
Net income (loss) from operations	7,999	(54,640)
Other income (note 4)	129,448	-
Net income (loss) for the year	137,447	(54,640)
Net assets, beginning of year	166,137	220,777
Net assets, end of year	\$ 303,584	\$ 166,137

See accompanying notes to the financial statements.

ONTARIO HARNESS HORSE ASSOCIATION

Statement of Cash Flows

<u>Years ended November 30</u>	<u>2016</u>	<u>2015</u>
Cash provided (used) by operating activities:		
Net income (loss) for the year	\$ 137,447	\$ (54,640)
Charges not affecting cash		
Amortization of capital assets	4,434	6,571
Amortization of deferred contribution	(658)	(271)
	<u>141,223</u>	<u>(48,340)</u>
Changes in non-cash balances from operations:		
Dues receivable	6,242	43,244
Other receivables	(13,517)	18,862
Prepaid expenses	(10,257)	4,575
Accounts payable and accrued liabilities	(3,143)	(4,768)
Other payables	(33,760)	33,760
Deferred revenue	1,542	(2,842)
	<u>(52,893)</u>	<u>92,831</u>
Cash used by investing activities:		
Purchase of capital assets	-	(2,400)
Increase in unrestricted cash during the year	88,330	42,091
Unrestricted cash, beginning of year	150,677	108,586
Unrestricted cash, end of year	\$ 239,007	\$ 150,677

See accompanying notes to the financial statements.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2016

1 Organization

The Ontario Harness Horse Association (the "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 Association administers several programs which are not reflected in these financial statements as follows:

(a) Benevolent funds

The 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 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 Association administers the SRA on behalf of the Ontario Horsemen for the purpose of funding the following programs:

Industry Marketing Program
Horsemen's Group Retirement Plan

The SRA program commenced September 1, 1996, and the Association holds the SRA funds in trust. Accordingly, the SRA funds are not reflected in the financial statements of the Association.

2 Accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Cash

Cash includes cash deposits in a financial institution and cash on hand.

(b) Capital assets

Capital assets are recorded at 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. Website development costs are provided for on a straight line basis over 5 years.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the statement of income when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. An impairment loss is not reversed if the fair value of the capital asset subsequently increases. As at November 30, 2016, no such impairment exists.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2016

2 Accounting policies continued

(c) Revenue recognition

The Association 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.

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 location. Dues are calculated at 1.5% of purses paid of certain supervised harness racetracks in Ontario.

(d) Financial instruments

i) Measurement

The Association initially measures its financial assets and financial liabilities at fair value, adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost consists of cash, restricted cash, dues receivable and other receivables. Financial liabilities measured at amortized cost consists of accounts payable and accrued liabilities.

ii) Impairment

At the end of each reporting period, the Association assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. When there is an indication of impairment, management determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset and reduces the carrying amount of the asset. The amount of the reduction is recognized as an impairment loss in the statement of operations.

(e) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 principal estimates used in the preparation of these financial statements are the determination of the allowance for doubtful accounts and useful lives of capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future. All estimates are reviewed periodically and adjustments are made in the statement of income as appropriate in the year they become known.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2016

3 Going concern

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Association be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations and at amounts different from those in the accompanying financial statements.

Effective April 1, 2013, the Ontario Lottery and Gaming Corporation ("OLGC") ended the revenue sharing agreement with the horse racing industry, resulting in a significant loss of revenue to the Association.

In October 2013, the Minister of Agriculture and Food commissioned a report, prepared by the Horse Racing Industry Transition Panel, to provide a 'Five-Year Partnership Plan' for Ontario horse racing for April 1, 2014 to March 31, 2019. One of the recommendations of this report is that "one horsepersons group should be created for the alliance tracks by vote of all licensed members". The Association supports this recommendation, yet no such vote has occurred and therefore it is not clear whether the Association will be able to continue to operate in the future.

The Association's funding, historically, was as a result of contractual relationships with the racetracks however the Canadian Pari-Mutuel Agency has allowed some racetracks to operate without contracts and therefore, currently, there is no stable source of funding from those racetracks.

The Association's ability to continue as a going concern is economically dependent on its ability to maintain net income and continue to represent members of the horsepeoples' group. The Association's viability is also dependent on dues from the racetracks and purse accounts. In addition, the Association has been dependent on funding from the Ontario Racing Commission ("ORC") and is now dependent on the OLGC for funding from the stranded purse funds to cover the cost of member benefits.

It is not possible to predict whether the Association will attain break even financial position in the next fiscal year.

The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Association be unable to continue in existence.

4 Restricted cash

The Association was holding \$129,448 of funds transferred from the purse distribution account which OHHA previously maintained pursuant to the terms of its purse account manager licence. The Board of Directors passed a resolution during the year to remove all restrictions on the use of these funds and accordingly, the amount is included in other income in the statement of income and changes in net assets.

5 Other receivables and SRA administration services revenue

Included in other receivables (2015 - other payables) is an amount of \$10,110 (2015 - \$33,760) due from / (to) the SRA program which OHHA administers for administration fees and reimbursement of expenses paid and \$43,044 (2015 - \$39,115) receivable from the OLGC (formerly ORC) for contributions to member benefits to November 30, 2016.

The OLGC / ORC has not approved the SRA administration fee for the current or prior three fiscal years however, the Association has recognized revenue for these years pursuant to a legal opinion obtained in a prior fiscal year.

SRA revenues and expenses are subject to the OLGC and / or ORC review and approval. The SRA accounts have not been reviewed by the ORC since October 1, 2003 and any amounts not approved by the OLGC and / or ORC will be accounted for in the year of review.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2016

6 Capital assets

As at November 30	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 162,719	\$ 157,700	\$ 162,719	\$ 156,445
Computer equipment	102,561	97,859	102,561	96,684
Computer software	18,067	18,067	18,067	18,067
Vehicle	46,276	45,896	46,276	45,734
Trailer	37,950	37,507	37,950	37,317
Website development costs	16,504	16,504	16,504	14,852
	\$ 384,077	\$ 373,533	\$ 384,077	\$ 369,099
Net book value		\$ 10,544		\$ 14,978

7 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities at November 30, 2016 is \$3,520 (2015 - \$4,617) of payroll withholdings owing to the Receiver General.

8 Deferred revenue

Deferred revenue is 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:

	2016	2015
Current		
Membership fees for next fiscal year	\$ 10,117	\$ 11,067
Long-term		
Membership fees for fiscal years 2018 to 2021 (2015 - 2017 to 2020)	10,709	8,217
	\$ 20,826	\$ 19,284
Balance, beginning of year	\$ 19,284	\$ 22,126
Membership fees received	15,295	14,231
Membership fees earned	(13,753)	(17,073)
Balance, end of year	\$ 20,826	\$ 19,284

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2016

9 Commitments

The Association has entered into a lease extension agreement for office premises for an additional one year term to October 31, 2017. The minimum payments required under this lease, excluding an estimate of the proportionate share of property taxes, maintenance and insurance to October 31, 2017 is \$19,565.

In addition, the Association has an obligation for office equipment under a lease expiring June 30, 2017. Minimum payments required in the next fiscal year total \$5,108.

10 Related party transactions

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

	2016	2015
Honorarium to] President	\$ 30,000	\$ 30,000
Remuneration to Directors and Officers for attendance at meetings	6,000	3,750

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.

11 Financial instruments

The Association is exposed to various risks through its financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Association is exposed to credit risk through its cash and receivables.

Credit risk related to cash is minimal as funds are fully insured and held by credit-worthy parties. Receivables are diversified, but unsecured.

Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet a demand for cash or fund its obligations as they come due. The Association meets its liquidity requirements by monitoring forecasts of cash flows from operations, anticipating investing and financing activities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The Association has no exposure to market risk.

Changes in risk

There have been no significant changes in the Association's risk exposures from the prior year.

