

Financial statements of

ONTARIO HARNESS HORSE ASSOCIATION

November 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Ontario Harness Horse Association

Opinion

We have audited the financial statements of Ontario Harness Horse Association (the "Association") which comprise the statement of financial position as at November 30, 2019, and the statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at November 30, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 3 in the financial statements which describes the Association's inability to continue as a going concern. These financial statements have therefore been prepared using a liquidation basis of accounting.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Ontario
January 22, 2020



Licensed Public Accountants

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Financial Position

As at November 30	2019	2018
Assets		
Current		
Cash	\$ 35,205	\$ 94,032
Dues receivable	-	33,029
Other receivables	-	185,569
Prepaid expenses (note 5)	22,863	29,247
	58,068	341,877
Capital assets (note 6)	4,977	6,625
	\$ 63,045	\$ 348,502
Liabilities & Net Assets (Deficit)		
Current		
Accounts payable and accrued liabilities (note 7)	\$ 72,408	\$ 62,231
Due to Standardbred revenue allocation program (note 4)	66,506	-
Deferred revenue	-	10,014
	138,914	72,245
Long term		
Deferred revenue	-	9,789
	138,914	82,034
Net assets (deficit)	(75,869)	266,468
	\$ 63,045	\$ 348,502

Commitments (note 9)

See accompanying notes to the financial statements.

On behalf of the Board:


 JIM WHELAN, PRESIDENT


 PAUL LINDSEY, TREASURER

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Operations and Changes in Net Assets

Year ended November 30	2019	2018
Income		
Track revenue	\$ 119,052	\$ 413,626
Provincial government contribution to member benefits (note 4)	230,060	286,147
Standardbred revenue allocation administration services (note 4)	68,869	68,763
Membership fees (note 8)	27,463	10,705
	445,444	779,241
Expenses		
Member and groom assistance	277,111	263,048
Salaries and benefits	229,152	215,009
General office administration	79,922	88,895
Board of Directors	71,548	79,583
Insurance	61,708	68,874
Professional	49,567	43,720
Marketing	11,357	6,485
Donations	5,768	17,279
Amortization of capital assets	1,648	1,728
Member administration	-	2,855
	787,781	787,476
Net loss for the year	(342,337)	(8,235)
Net assets, beginning of year	266,468	274,703
Net assets (deficit), end of year	\$ (75,869)	\$ 266,468

See accompanying notes to the financial statements.

ONTARIO HARNESS HORSE ASSOCIATION
Statement of Cash Flows

Years ended November 30	2019	2018
Cash provided (used) by operating activities:		
Net loss for the year	\$ (342,337)	\$ (8,235)
Charges not affecting cash		
Amortization of capital assets	1,648	1,728
	(340,689)	(6,507)
Changes in non-cash balances from operations:		
Dues receivable	33,029	(2,030)
Other receivables	185,569	(76,235)
Prepaid expenses	6,384	7,161
Accounts payable and accrued liabilities	10,177	16,526
Due to Standardbred revenue allocation program	66,506	-
Deferred revenue	(19,803)	(1,643)
	281,862	(56,221)
Cash, beginning of year	94,032	156,760
Cash, end of year	\$ 35,205	\$ 94,032

See accompanying notes to the financial statements.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2019

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. As a result of the loss of revenues, management has no alternative but to cease operations and liquidate the corporation in the next fiscal year. Accordingly, these financial statements have been prepared using a liquidation basis of accounting. No adjustment to the assets or liabilities of the Association is considered necessary as the remaining assets will be used to pay for the remaining liabilities and operating expenses as well as any unforeseen expenses until the dissolution of the corporation which is anticipated to be on or before November 30, 2020.

(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, vehicle and trailer are provided for on a declining balance basis at rates ranging from 20% to 30% per annum.

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, 2019 no such impairment exists.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2019

2 Accounting policies continued

(c) Revenue recognition

In the fiscal year ended November 30, 2019 revenue is recognized on a cash basis and membership fees deferred in prior years has been accounted for as revenue in the current year as the Organization is no longer a going concern. The Association previously followed the deferral method of accounting for contributions. Unrestricted contributions, were recognized as revenue when received or receivable, if the amount to be received could be reasonably estimated and collection was 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. In prior years, membership fees received for future years were deferred and amortized into revenue over the membership term.

Track revenue

All dues revenue ceased effective April 1, 2019. Track revenue was comprised of insurance and dues. Insurance acquired by the Association was billed to racetracks based on the number of live race days at each location in fiscal 2018 and prior. No insurance was billed to racetracks in fiscal 2019. Dues were 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, 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, 2019

3 Going concern

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

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, effective April 1, 2019, there is no source of funding from racetracks. In 2018, a long term funding agreement was entered into by some racetracks and horsepeoples' groups. OHHA has not signed the long term funding agreement at this time. Currently all racetracks other than the Woodbine Entertainment Group (WEG) tracks that have signed the long term funding agreement have no contractual obligation to any horsepersons group and operate under the WEG betting permit. WEG has eliminated all funding to the Association as of April 1, 2019 and directed those funds to the Central Ontario Standardbred Association (COSA).

The Association has not been able to secure any source of funding to replace the revenues lost as described above and therefore has no alternative but to cease operations and liquidate the corporation in the next fiscal year.

4 Standard revenue allocation program (SRA)

As at November 30, 2019 the Association owed \$66,506 to the SRA (2018 - receivable of \$164,772) for differences in amounts transferred from the SRA bank account as compared to the administration fee revenue and reimbursement of expenses owed. As at November 30, 2019 there is \$Nil (2018 - \$20,797) receivable from the OLGC (formerly ORC) for contributions to member benefits.

The OLGC (formerly ORC) has not approved the SRA administration fee for the current or prior six 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 (formerly ORC) review and approval. The SRA accounts have not been reviewed by the OLGC (formerly ORC) since October 1, 2003 and any amounts not approved by the OLGC (formerly ORC) will be accounted for in the year of review.

5 Prepaid expenses

Prepaid expenses at November 30 2019 are comprised of one month's groom benefits and staff health and dental insurance paid in advance and last month's rent deposit.

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2019

6 Capital assets

As at November 30	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 162,719	\$ 160,149	\$ 162,719	\$ 159,506
Computer equipment	102,561	100,154	102,561	99,552
Vehicle	46,276	46,276	46,276	46,090
Trailer	37,950	37,950	37,950	37,733
Computer software	-	-	-	-
Website development costs	-	-	-	-
	\$ 349,506	\$ 344,529	\$ 349,506	\$ 342,881
Net book value		\$ 4,977		\$ 6,625

The fair value of capital assets has not been determined and is not readily determinable until sold.

7 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities at November 30, 2019 is \$12,752 (2018 - \$7,314) 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. Membership fees are non-refundable and accordingly have been recognized as revenue in the current year as the organization will be dissolved.

	2019	2018
Current		
Membership fees for next fiscal year	\$ -	\$ 10,014
Long-term		
Membership fees for fiscal years 2021 to 2024 (2018 - 2020 to 2023)	-	9,789
	\$ -	\$ 19,803
Balance, beginning of year	\$ 19,803	\$ 21,446
Membership fees received	7,660	9,062
Membership fees earned	(27,463)	(10,705)
Balance, end of year	\$ -	\$ 19,803

ONTARIO HARNESS HORSE ASSOCIATION

Notes to the Financial Statements

November 30, 2019

9 Commitments

The Association has entered into a lease extension agreement for office premises for an additional one year term to October 31, 2020. The Association may terminate the lease with 60 days notice. The minimum payments required under this lease to October 31, 2020 is \$21,260.

In addition, the Association has obligations for office equipment under leases expiring July 2020 and November 30, 2022. Minimum payments required for each of the next three fiscal years are: 2020: \$5,772, 2021 and 2022: \$3,555 per year.

10 Related party transactions

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

	2019	2018
Honorarium to President	\$ 30,000	\$ 30,000
Remuneration to Directors and Officers for attendance at meetings	2,150	11,450
Legal fees paid to a Director	10,000	-

These transactions have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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 have all been collected subsequent to the year end date.

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 is dependent on funds from the SRA program to meet its liquidity requirements.

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

Liquidity risk has significantly increased this year due to the loss of funding from racetracks and OLGC.