



# Ontario Racing Commission

**64<sup>th</sup> Annual & Statistical Report  
2013 – 2014**



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Racing  
Commission**

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July 31, 2014

The Honourable Jeff Leal  
Minister of Agriculture, Food and Rural Affairs  
77 Grenville, 11<sup>th</sup> Floor  
Toronto, Ontario  
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Honourable Minister:

We are pleased to submit to you the Annual Report of the Ontario Racing Commission for the period ending March 31, 2014, pursuant to Section 15 (1) of the *Racing Commission Act, 2000*.

Yours sincerely,

A handwritten signature in black ink that reads "Elmer Buchanan". The signature is written in a cursive style and is positioned above a horizontal line.

Elmer Buchanan  
Chair

Vice Chair Anthony Williams  
Commissioner Dan Nixon  
Commissioner Sandra Meyrick  
Commissioner John Macdonald  
Commissioner Dr. Anne Walker







## Table of Contents

Message from the Chair .....	3
Members of the Governing Board .....	4
Executive Summary .....	7
Mandate and Structure... ..	8
Role of the ORC.....	10
Financial Performance .....	10
Key Initiatives 2013-2014.....	11
Performance Measures and Targets .....	14
Financial Performance & Statements .....	16
ORC Offices.....	36





## **MESSAGE FROM THE CHAIR**

### ***A new partnership with government ... and the customer***

It is with great pride that I submit this report, for the period of April 1, 2013 to March 31, 2014, the first as chair since my appointment in the third quarter of this fiscal year. I would like to acknowledge my predecessor, Rod Seiling, who served the people of Ontario and the horse racing community with distinction for seven years. We offer him our thanks and best wishes.

The ORC's legislative mandate is to act in the public interest to govern, direct, control and regulate horse racing in Ontario. During this fiscal year that mandate was expanded with the creation of its new business development division – Ontario Horse Racing (OHR).

OHR was called upon to negotiate and implement the government's 5-Year \$500 million Horse Racing Partnership Plan (Plan). The Plan reflects the hard work and genuine willingness of many in the horse racing industry to work together to grow an industry that is sustainable, and builds a new partnership with government and the customer.

Protecting our equine athletes is critical to the future. That is why equine welfare is identified in the Plan and includes measures to ensure that race horses are treated humanely both while they are racing and in retirement.

On the operational and regulatory side, I am pleased that our Key Initiatives are on track and moving forward. These include efforts to provide all possible support and assistance to the industry (including the breed improvement programs) as it strives to build a sustainable model for the future. At the same time, the ORC is committed to operating and maintaining costs and in a fiscally responsible manner while responding to the service level demands of the industry.

The government's ongoing support of the horse racing industry is based on specific goals: accountability, transparency, renewed focus on the customer and a positive return for provincial government investments. Integration of horse racing into the government's Gaming Strategy and implementation of the Plan will help achieve those goals.

The challenge ahead is significant: to develop world-class Ontario horse racing that will attract a global audience and increase wagering revenues. This task will demand the concerted and collaborative effort of all involved in the industry. The ORC looks forward to working with the industry to take on this challenge.

This has been a challenging year for all those involved in horse racing, and that includes ORC staff. I would like to thank them for their professionalism, public service, and dedication to fulfilling our mandates.

**Elmer Buchanan**

## **Members of the Governing Board**

Members of the 2013/2014 board are experienced and dedicated to the integrity of horse racing, representing various segments of the industry as well as possessing a high level of business and professional acumen. The board has overall corporate governance responsibilities as well as adjudicative duties.

### **Elmer Buchanan, Havelock Appointed Chair 2013**

Mr. Buchanan was appointed chair of the ORC on November 6, 2013. Following graduation from Queen's University, and subsequently Teacher's College in Peterborough County, he worked as a high-school teacher and vice-principal in Hastings County. A noted advocate for the concerns of rural Ontario and the agricultural community, he served as Ontario Minister of Agriculture from 1990 to 1995 and represented the riding of Hastings-Peterborough as a Member of Provincial Parliament.

Mr. Buchanan has also served on the board of the Ontario Farm Products Marketing Commission and has maintained his agricultural base, raising alpacas and angora goats on the family farm. From 2012 to 2013, he served as a member of the Horse Racing Industry Transition Panel, which met with industry participants and worked to develop a vision for the future of horse racing. Mr. Buchanan's current appointment expires in November 5, 2014.

### **Anthony Williams, Caledon Appointed Vice Chair 2012**

Mr. Williams has represented the Ministry of the Attorney General on criminal prosecutions since 1974, including over 20 years as the crown attorney for the County of Dufferin at Orangeville. Since 2007, he acted as senior litigation counsel for the Ontario Racing Commission, representing the Administration in hearings and other proceedings. He studied sociology and psychology at Glendon and Winters Colleges, York University at Toronto. He then received a law degree from Queen's University at Kingston, and was called to the Ontario Bar in 1974. Mr. Williams has served as a board member of numerous community groups including the Big Brothers, Alton Grange Association, Caledon Ratepayers Association, and the Criminal Law Advisory Committee for Legal Aid. Since 1998, he has served as a Director with Caledon Dufferin Victim Services. His current appointment expires on November 5, 2014.

**John W. Macdonald, Q.C., Toronto**  
**Appointed 2009**

Mr. Macdonald is a lawyer with experience in general practice, primarily of a corporate and commercial nature. He was called to the Ontario Bar in 1962, and began his career with a major law firm in Toronto, and after 10 years of service went on to establish and be a member of his own partnership. Mr. Macdonald was awarded the distinction of a Queen's Counsel in 1979. Born in Montreal, as a teenager he moved from the Quebec Eastern Townships to Brampton, Ontario – the “capital” of standardbred breeding in Canada.

In 1974, Mr. Macdonald became a standardbred owner and licensee. He is proud of the fact that, with friends, he was part owner of the Excellent Stable which raced Frugal Gourmet, the 1987 Canadian standardbred horse of the year. Based on this experience, as well as working with clients that race, breed and sell horses, he has first-hand knowledge of horse racing. Mr. Macdonald is still active in his current law firm partnership – Macdonald, Porter, Drees – which was established in 1996. His current appointment expires on November 30, 2014.

**Dan Nixon, Toronto**  
**Appointed 2010**

Mr. Nixon has been an owner of both standardbreds and thoroughbreds for over 10 years and an avid fan for 50. He was a member of the Canadian Forces for three years and, after serving with the United Nation Peace Keeping Force in Cyprus, he was awarded the United Nations Medal. He then embarked on a successful career in finance and banking, with over 35 years of experience with chartered banks, trusts, and securities firms. Mr. Nixon held various senior management positions before retiring in 2006. He is an active volunteer in his community, having worked in areas supporting children in need, minor hockey organizations, and Habitat for Humanity.

Mr. Nixon is now focused on giving back to an industry he has always loved, and has dedicated himself to the well-being of both the people and horses involved in racing. His current appointment expires on May 27, 2014.

**Anne Walker, DVM, JD, Beamsville**  
**Appointed 2012**

Dr. Walker is a practicing civil litigation lawyer and veterinarian. She obtained a Bachelor of Science (Honours), Biology, First Class, from York University, followed by a Master of Science in Clinical Pathology and a DVM, with Honours, from the Ontario Veterinary College. Following graduation, Dr. Walker practiced small animal medicine for several years in Mississauga and Oakville. Concern for the welfare of laboratory animals led her to a career in laboratory animal medicine, initially as the Director of Veterinary Services for the Toronto General and Toronto Western Hospitals, and later as the clinical veterinarian for the Centre for Addiction and Mental Health.

After working for a number of years, Dr. Walker returned to the Faculty of Law, University of Toronto where she obtained a law degree in 2000. In January 2011, she established a boutique civil litigation law firm where she practices personal injury, transportation, insurance and employment law. Dr. Walker has owned, bred and raced Thoroughbreds for many years. From 2010 to 2012, she served as the *pro bono* lawyer and a member of the board of directors of LongRun Thoroughbred Retirement Society. Her current appointment expires on September 11, 2014.

**Sandra J. Meyrick, MSc, LLB, Toronto  
Appointed 2013**

Ms. Meyrick is an experienced lawyer, adjudicator, community volunteer, and advocate for vulnerable members of the community. She served as an adjudicator with the Health Services Appeal and Review Board, as well as the Consent and Capacity Board, and acted as child counsel to the Office of the Children's Lawyer. Ms. Meyrick was also appointed as a Dispute Resolution Officer at the Ontario Superior Court and continues to serve on the panel of the Public Guardian and Trustee. With an Honours Bachelor of Arts degree from the University of Western Ontario, Ms. Meyrick received her Masters of Science degree from Oxford University and the London School of Economics. She then completed her Ontario Bachelor of Laws at the University of Windsor, having studied law at Western and the University of Michigan. She was called to the Ontario Bar in 1990. Ms. Meyrick has been on various boards including the board of York University and Kingsway College School. She has been an elected member of the Canadian Bar Association Executive since 1992. Her current appointment expires on August 6, 2015.

## Executive Summary

With the government's announcement of the five year \$500 Million Horse Racing Partnership Plan to support a sustainable horse racing industry through the growth of wagering and attracting new fans to the sport, the ORC has partnered with industry to support its delivery. As a key commitment of the government, the Plan set the stage for a busy 2013/2014 and an anticipated busier 2014/2015 for the ORC.

In supporting its delivery and the accountable and transparent use of public funds, one component of the Plan, the Horse Racing Partnership Funding Program (HRPFP), required the ORC to establish Transfer Payment Agreements (TPAs) with industry recipients. The TPAs included the development of performance measures to quantify industry growth, an economic impact of the industry and of the Plan to Ontario. The ORC, in the coming year, will work to develop additional performance measures.

To ensure the long term support of horse racing, the ORC will lead industry development programs including Marketing, Branding and Communications, Responsible Gambling, Performance Metrics, and the Horse Improvement Program. These programs and the government's commitment to horse racing recognizes:

- the important economic and social contribution of agriculture within Ontario, requiring strong rural communities;
- the horse racing industry has strong roots within rural communities of Ontario; and
- the government of Ontario is committed to working with the industry in order to strengthen and promote live racing in the province.

The work to create and maintain the industry development programs and administration of TPA's will be undertaken by the ORC's new Ontario Horse Racing (OHR) division. This new division has been firewalled from ORC's regulatory division through undertakings such as the use of independent office space, sharing only in corporate services such as Human Resources and Information Technology, and also having firewalled budgets.

While OHR has been busy with this new mandate, the ORC's administration and regulatory division were equally busy with its 2013-2014 Key Initiatives including:

- Industry Transition Assistance;
- Funding Management;
- Labour Relations;
- International Racing Information and Intelligence Service; and
- Integrity Program.

The ORC is recognized as a world leader in the regulation of horse racing. It continues to work with both industry partners and international partners in innovative and exciting projects. This annual report outlines the organization's successes of 2013-2014.

# The Mandate and Structure of the ORC

## Strategic Statements

### Mandate

The ORC acts in the public interest to govern, direct, control and regulate horse racing in all its forms in Ontario, the operation of racetracks, and the licensing of racetracks and racing participants. In its new role, managing the HRPFP, the ORC has responsibilities to support the racing industry through industry development programs with the aim of growing the fan base and enhancing wagering revenues. The ORC exercises its powers and performs its duties in the public interest and in accordance with the principles of honesty, integrity and social responsibility. The role and authorities of the ORC are established by the *Racing Commission Act, 2000*.

Through a Memorandum of Understanding (MOU) with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), the parties have defined their relationship and responsibilities. The ORC's administration and oversight of the HRPFP is governed by an Accountability Agreement between OMAFRA and the ORC.

In addition to administering funding to the industry under the HRPFP, the goals of the ORC will align with Ontario government goals to:

1. Make Ontario a better place to do business:
  - a. Ontario's breed programs are recognized as world class. The OHR will work to ensure the programs meet or exceed expectations.
  - b. HRPFP will provide a stable platform for racing, ensuring owners and breeders can invest with confidence.
2. Increase competitiveness through innovation:
  - a. The ORC will work with Ontario Lottery and Gaming Corporation (OLG) and the industry to promote innovation in the gaming product to increase revenue for both the industry and government.
  - b. Through the ORC Integrity Program and the ORC IT initiatives, the ORC anticipates innovative approaches to regulation.
3. Grow our markets at home and abroad:
  - a. The ORC will continue to build partnerships within the horse racing community.
  - b. HRPFP will introduce new fans to the sport of horse racing while increasing existing fan attendance through the marketing, branding and communication sub component of the Industry development programs and the export of the racing signal to other jurisdictions.
  - c. The Horse Improvement Program (HIP) will improve the racing product and investment to attract wagering from domestic and international horse players.

**Vision** - The ORC will be a world-class leader in regulation and will partner with industry to support the sustainability and growth of horse racing to benefit the Ontario economy.

**Mission** - Our mission is to protect the public interest through the provision of effective and efficient services to the horse racing industry.

**Core Values** - Respect, Accountability and Innovation

**Strategic Intent** - To innovate and evolve as a regulator, while developing a partnership with the industry and the Ontario Lottery and Gaming Corporation (OLG) to support the growth and effective governance of the industry.

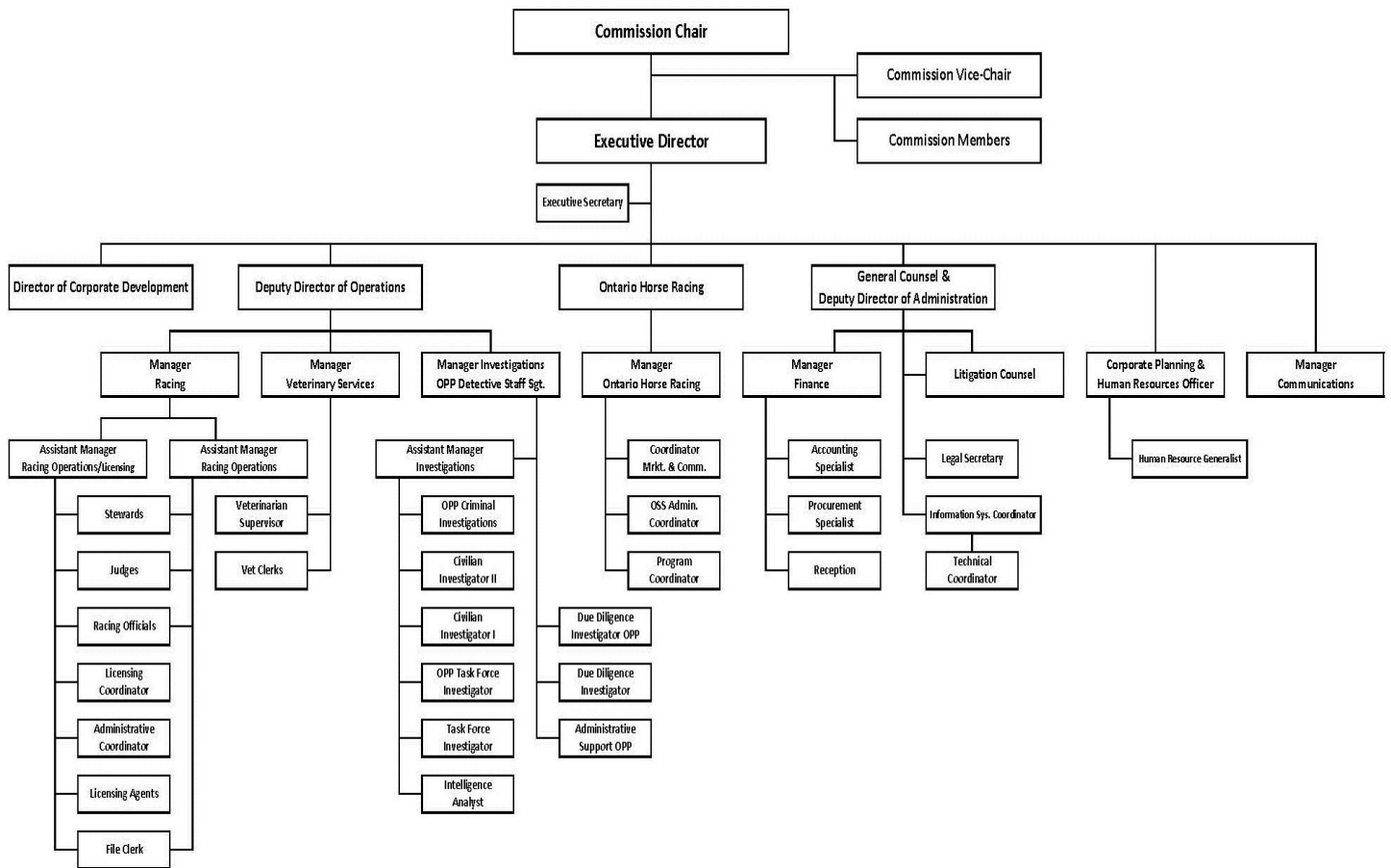
**Macro Performance Indicators**

Our success in pursuit of this strategic intent will be measured by the degree to which we:

- Identify material cost efficiencies in the delivery of regulatory services
- Enter into transfer payment agreements with all core racetracks
- Enter into a Memorandum of Understanding with Ontario Lottery and Gaming (OLG) to seek synergies in marketing, product development and the responsible gambling program.

**Ontario Racing Commission Organization Chart**

April 2014



## Role of the Ontario Racing Commission

<i>Functions</i> What does the ORC do?	<i>Protection and Promotion</i> Why does the ORC do it?
<ul style="list-style-type: none"> <li>• Officiate live racing</li> <li>• Compliance with the Rules of Racing</li> <li>• Investigation of non-compliance</li> <li>• Licensing of horse racing participants</li> <li>• Adjudication</li> <li>• Administration of Industry Development Programs</li> <li>• Management of Regulatory Programs</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Protection</i> of the public interest</li> <li>• <i>Protection</i> of all participants</li> <li>• <i>Protection</i> of the equine athlete</li> <li>• <i>Protection</i> of the betting public</li> </ul>
<ul style="list-style-type: none"> <li>• Implementation of the Ontario Horse Racing Partnership Plan ( Plan)</li> <li>• Management of Industry Programs</li> <li>• Administration of the Horse Racing Partnership Funding Program (HRPFP)</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Enhancement</i> of horse racing in the province of Ontario</li> <li>• <i>Development</i> of a sustainability model for the sport of racing</li> <li>• <i>Oversight</i> of public funds</li> <li>• <i>Promotion</i> of the sport to the public</li> </ul>

### Summary of Financial Performance

While ORC continues to face challenges, the following summary budget illustrates the commitment of the government to the industry. This commitment is illustrated as the HRPFP funds delivered through OHR in accordance with TPA's. "Cost Recoveries" listed below are amounts billed centrally to the ORC and collected from applicable industry participants. "Regulatory Division" represents the ORC budget for its regulatory functions, incrementally reduced from 12.4 M in 2006.

Revenues (million)	2012/2013	2013/2014	Projected 2014/2015	Projected 2015/2016	Projected 2016/2017
Regulatory Division	8.7	8.0	8.5	8.4	8.4
OHR Division	0.0	0.5	100.0	100.0	100.0
Cost Recoveries	2.5	1.8	0.4	0.2	0.2
<b>Total Revenue</b>	<b>11.2</b>	<b>10.3</b>	<b>108.9</b>	<b>108.6</b>	<b>108.6</b>

Expenditures (million)	2012/2013	2013/2014	Projected 2014/2015	Projected 2015/2016	Projected 2016/2017
Regulatory Division	9.6	8.8	8.9	8.6	8.6
Program Administration	0.7	0.5	0.0	0.0	0.0
OHR Division	0.0	0.6	100.0	100.0	100.0
<b>Total Expenditures</b>	<b>10.3</b>	<b>9.9</b>	<b>108.9</b>	<b>108.6</b>	<b>108.6</b>
<b>Surplus</b>	<b>0.9</b>	<b>0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>



## **ORC Achievements Key Initiatives 2013-2014**

### **1. Transition of the Horse Racing Industry**

Early in 2012, the Government of Ontario announced the end of the Slots-At-Racetracks Program (SARP), a slot revenue sharing program used as a source of funding for the industry.

With the end of SARP, horse racing began to transition to another business model. To support this transition, government provided a transitional funding program, the *Horse Racing Industry Transition Assistance Program*, to industry partners. Then in October of 2013, based on the final report of the Horse Racing Industry Transition Panel, government announced the five-year Horse Racing Partnership Plan (Plan) and confirmed their commitment to the industry. Implementation of that Plan, effective April 1, 2014, would be added to the mandate of the Ontario Racing Commission (ORC). To further demonstrate the government's commitment to the industry, the Commission was chaired by one of the Plan authors, Mr. Elmer Buchanan. Of the two other authors, Mr. John Wilkinson was recruited to work with the Ontario Lottery and Gaming Commission (OLG) to support integration and Mr. John Snobelen became the Interim Director of Ontario Horse Racing (OHR), the newly established division of ORC tasked with implementing the Plan.

In fiscal 2013-2014, the ORC in collaboration with OMAFRA, began planning for the implementation of the framework of the Horse Racing Partnership Funding Program (HRPFP), a key component of the Plan. The ORC began negotiations of the formal agreements, Transfer Payment Agreements (TPAs), for the distribution of the \$100 Million a year in funding to recipients of the racing industry who qualified under the new program.

The ORC worked to complete the modification of existing industry programs and industry communication efforts helped to educate and coordinate industry participants in the direction of the new plan.

The new addition to the mandate of the ORC is significantly different in focus than its regulatory mandate. Administration of HRPFP and industry development programs, while responding to changes in participation and industry trends, is vital to the sustainability and success of the Plan and ORC's new mandate. The Plan is designed to drive sustainability and therefore is interconnected to the success and health of the horse racing industry.

By March 31, 2014, OHR was staffed by five full-time positions and two part-time positions. The ORC has separated the divisions financially and corporately, sharing only in the corporate services such as human resources and information technology.

Although implementation and support continues, the ORC completed its 2013-2014 Key Initiative commitment to provide assistance during this period of continued transition in Ontario's horse racing industry.

## **The New Ontario Horse Racing Division (OHR) Responsibilities Under the Horse Racing Partnership Funding Program**

### ***Live Racing Components including:***

- *\*Alliance Racetracks including:*
  - *Clinton, Flamboro, Georgian, Grand River, Hanover, Western Fair, Mohawk and Woodbine*
- *Regional Racetracks including:*
  - *Dresden, Hiawatha, Kawartha and Lakeshore*
- *(FAR) Racetracks including:*
  - *Fort Erie, \*Ajax Downs and Rideau Carleton*

### ***Industry Development Program sub components including:***

- *Animal Welfare*
- *Responsible Gambling*
- *Horse Improvement Program and Quarter Horse Racing Industry Development Program*
- *Marketing, Branding and Communications*
- *Performance Metrics*

*\*Alliance racetracks and Ajax Downs are considered centralized racetracks for planning and geographic purposes.*

## **2. Funding Management**

At the beginning of the fiscal year 2013-2014 with the anticipated contraction in the industry and its available resources, the ORC expected that continuation as an industry-funded agency it would face difficult times. A redesign of the ORC funding model would need to occur.

The industry continues to fund the regulatory operations of ORC through an amended allocation of the Pari-Mutuel Tax Reduction (PMTR). Funding through individual and track licenses continues as does cost recoveries of some regulatory programs.

With many changes in the industry, the ORC faces new challenges. With an expected contraction of the industry, the ORC undertook a reduction in staffing levels; however the workload remains and in some instances increased. The ORC will strive towards meeting this new mandate while allocating resources for maximum efficiency while meeting the needs of industry as best as possible.

## **3. Labour Relations**

To support the horse racing industry for the 2013-2014 fiscal, the ORC has a staff complement of 46 full-time, 33 part-time and one shared position. At the beginning of the 2012-2013 fiscal year, the ORC had 64 full-time employees and 31 part-time staff members. This reflects the expected contraction in the size of the industry. Further, the ORC staff have been under a wage freeze since 2007. In two years, ORC salary and benefit costs have decreased 26.8% (approximately \$5 million in fiscal 2014 versus approximately \$6.9 million in fiscal 2012).

To ensure ORC staff compensation is competitive and industry and government receive the best value for these resources, the organization retained the HAYGroup to provide a review of the compensation system in accordance with ORC's policy of regular reviews. Ontario Public Service (OPS) salary parity is also a commitment of the 2000 divestment process in which the ORC converted to a self-funded regulatory agency, arms-length from the government.

#### **4. International Racing Information and Intelligence Service (IRIIS)**

Seven years in the making, this ORC initiative is a web-based intelligence sharing system targeted for horse racing regulators, law enforcement agencies and other industry organizations. Using a Microsoft SharePoint platform, IRIIS provides a user with the ability to share timely intelligence information, best practices and resources among international members. The information is shared with the membership based on specific restriction levels determined through the members' agency verification process.

The concept was developed in 2007 and in 2008 an international working group was established. In 2013-2104, a prototype was endorsed by the working group and further developed to maximize its international use and value to the contributors. Through the resulting intelligence information, users will have a tool to ensure more efficient and effective regulation. It will launch internationally in the summer of 2014.

The following is an excerpt from a media release:

*“The Ontario Racing Commission (ORC) and Harness Racing Australia, the key organizers of IRIIS, have collaborated with racing regulators and strategic partners from Canada, the United States, Belgium, Great Britain, South Africa, and Sweden. It is anticipated other racing jurisdictions will join and contribute to the platform.*

*ORC Deputy Director Rob McKinney said that IRIIS is an innovative system where members – industry regulators, law enforcement agencies and industry organizations -- will have access to and share intelligence information on a wide range of topics, such as performance and image enhancing drugs like EPO, race fixing, and organized crime. “We need to be proactive and one step ahead of illegal activity, so that we can prepare risk and threat assessments on a jurisdictional, regional and/or international level.”*

#### **5. Integrity Program**

The Integrity Program is a comprehensive approach for advancing a number of policy and program initiatives. Each project is led by an ORC staff member under the direction of the Deputy Director of Racing Operations.

##### **The Purpose of the Integrity Program:**

The Integrity Program is an education-based approach to integrating various activities that impact the integrity of racing - enforcement, adjudication and participant rehabilitation. Priority setting and resource allocation will be based on intelligence information and enhanced through modernization of regulatory practices.

The intention of the program is to evolve the ORC’s regulatory capacity. Generally, two concepts were involved in the development of this Program. The first is to integrate areas within the ORC that create synergies, providing a greater benefit and value-add to the organization and the industry. The second is to develop new technologies, processes or expertise.

The following are current Integrity Program Projects:

1. Equine Accidents
2. Investigative Specialist
3. Positive Test Panel
4. Tablet Pilot
5. Positive Test Rules
6. Training Centre Strategy
7. Expansion of the Central Adjudication Room (CA Room)
8. Race Day Medication Ban
9. Expanded Equine Drug Testing
10. ORC Communications Project

## Performance Measures and Targets

### Licensing

The ORC continued its efforts to provide a regulatory framework that supports a modern, efficient, and consumer-focused industry.

Licensing (# of licenses issued)	2010	2011	2012	2013 Target		2013 Actuals	
Thoroughbred	8,516	7,839	7,136	6,000	16.0% ▼	6205	13.0% ▼
Quarter Horse	754	874	962	900	6.4% ▼	698	27.4% ▼
Standardbred	17,814	16,672	15,105	9,500	37.0% ▼	7011	53.6% ▼

### Investigations

The following are ORC investigative statistics for 2010-2013:

Investigations Unit Statistics	2010	2011	2012	2013 Target		2013 Actuals	
Compliance Activities	293	340	342	307	10% ▼	381	11.4% ▲
Due-Diligence Activities	2280	2490	1996	1596	20% ▼	2077	4.0% ▲
Medication Control Activities	372	369	386	347	10% ▼	270	30.0% ▼
Regulatory Activities	131	168	135	121	10% ▼	153	13.0% ▲

### Rulings

Rulings are written decisions by the Judges and Stewards that relate to violations of the Rules of Racing.

Breed	2009	2010	2011	2012	2013
<u>Thoroughbred</u>					
Stewards Rulings	324	394	287	225	241
Live Race Dates	245	245	243	230	183
Rulings per Race Date	1.32	1.61	1.18	0.98	1.32

<u>Standardbred</u>					
Judges Rulings	1,824	1,358	1,280	1,067	648
Live Race Dates	1,358	1,356	1,263	1,186	770
Rulings per Race Date	1.34	1.00	1.01	0.90	0.84

<u>Quarter Horse</u>					
Stewards Rulings	65	78	85	68	30
Live Race Dates	35	43	44	45	30
Rulings per Race Date	1.34	1.81	1.93	1.51	1.00

## Commission Hearings

Licensees have the right to appeal all rulings issued by the Judges or Stewards for violations of the Rules of Racing or decisions of the Executive Director under the Racing Commission Act.

<u>Hearing Types</u>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Thoroughbred Hearings	21	37	15	24	24
Standardbred Hearings	46	63	65	59	60
Other Matters	4	9	10	3	1
Total Hearings Held	<b>71</b>	<b>109</b>	<b>90</b>	<b>86</b>	<b>85</b>
Number of Hearing Dates	64	56	50	39	45

## Notices

Number of Notices of Proposed Order or Immediate Suspension issued in:

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Notice of Proposed Order	16	14	9	8	15

## Financial Performance

### Management Discussion

#### Revenue

The ORC's total revenue for the fiscal year ended March 31, 2014 was \$10.3 million, a reduction of \$0.9 million over fiscal 2013. This total is comprised of the wagering levy of \$4.6 million, based on 0.5% of 2012 Ontario pari-mutuel wagering; license and registration fees of \$3.1 million; and cost recovery from the industry of \$1.8 million (which is explained in Note 11 to the financial statements), as well as fines, interest and miscellaneous revenue of \$0.3 million. During the year, the ORC also received cost recovery of \$0.5 million from the Ontario Government in the form of transition funding for the establishment of OHR. For the second consecutive year, decreases in revenue were seen in each of the ORC's revenue streams in fiscal year-end March 31, 2014.

#### Expenses

Total expenses for the fiscal year ended March 31, 2014 of \$9.9 million represent a \$0.4 million, or 3.7%, reduction from fiscal year 2012/2013. Salary and benefit costs continue to be the most significant expense of the ORC at \$5.4 million, or 54.8% of total expenses.

#### Reserve

The Ministry of Government Services approved the establishment of a Reserve account commencing in fiscal 2001-02 that should, over a period of time, accumulate to the equivalent of approximately 25% of the ORC's annual operating budget. This process was deemed prudent since a significant portion of the ORC's revenue base relies on total wagering and purses paid at Ontario racing venues that could fluctuate.

At the end of fiscal 2005-06, the total reserve fund was \$1,000,000. In 2013-14, no increase to the reserve fund was made and the fund remains at that 2005-06 level.

For the past several years, the ORC Administration has continued to monitor the organization's financial position to determine if any amount could be added to move closer to our overall objective. Despite the current year's surplus, a further reduction in revenue is expected in the coming year. As a result, the ORC Administration has decided not to increase this reserve in anticipation of a need for operating funds in fiscal 2015.

Through annual review and revision to the ORC funding, the ORC is committed to ensuring its health and **sustainability and a potential resumption of regular contributions to this Reserve account.**

**Ontario Racing Commission**  
**Financial Statements**  
**For the Year Ended March 31, 2014**

**Ontario  
Racing  
Commission**

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## **Ontario Racing Commission**

### **Responsibility for Financial Reporting**

The accompanying financial statements of the Ontario Racing Commission have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of the financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 26, 2014.

Management is responsible for the integrity of the financial statements and maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The appointed Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Commission meets periodically with management and the Office of the Auditor General of Ontario to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of management:

A handwritten signature in black ink, appearing to read "Steve Lehman".

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Steve Lehman  
Executive Director and CEO

A handwritten signature in black ink, appearing to read "Leslie Campbell".

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Leslie Campbell  
Manager, Finance and Administration



## ***Independent Auditor's Report***

To the Ontario Racing Commission  
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the accompanying financial statements of the Ontario Racing Commission, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net financial 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 public sector accounting standards, 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Racing Commission as at March 31, 2014 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario  
June 26, 2014

Gary Peall, CPA, CA, LPA  
Deputy Auditor General

	March 31, 2014 (\$ 000)	March 31, 2013 (\$ 000)
<b>Financial Assets</b>		
Cash (Note 4(A))	2,439	2,425
Accounts receivable (Note 6)	1,417	1,436
Due from the Province (Note 3)	284	-
	<u>4,140</u>	<u>3,861</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	1,441	1,164
Accrued benefit obligation (Note 8(B))	742	1,014
Deferred lease inducement (Note 17)	195	276
	<u>2,378</u>	<u>2,454</u>
<b>Net Financial Assets</b>	<u>1,762</u>	<u>1,407</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 9)	156	164
Prepaid expenses	33	9
	<u>189</u>	<u>173</u>
<b>Accumulated Surplus</b> (Note 4(B))	<u>1,951</u>	<u>1,580</u>

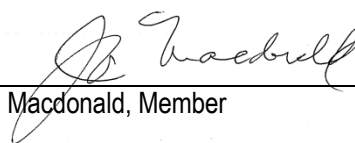
**Commitments and contingencies** (Note 14)

See accompanying notes to financial statements.

Approved on behalf of the Commission:



Elmer Buchanan, Chair



John Macdonald, Member

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**Ontario Racing Commission**  
**Statement of Operations**  
**For the year ended March 31, 2014**

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	<b>Budget 2014</b> <b>(\$ 000)</b> <b>(Note 17)</b>	<b>2014</b> <b>(\$ 000)</b>	<b>2013</b> <b>(\$ 000)</b>
<b>Revenue</b>			
Wagering levy (Note 10)	4,100	4,605	4,973
Licence and registration fees	2,417	3,113	3,357
Cost recovery (Note 11)	1,931	2,318	2,507
Fines and penalties	250	223	326
Interest income	14	25	29
Miscellaneous	—	3	7
	<hr/>		
Total revenue	8,712	10,287	11,199
<hr/>			
<b>Expenses (Note 15)</b>			
Race Officiating	2,376	2,829	3,072
Compliance Investigation	1,562	1,492	1,488
Medication Control	1,303	1,216	1,860
Administration	854	1,028	978
Hearings & Adjudication	508	692	430
Governance	546	622	656
Licensing & Due Diligence	433	575	600
Ontario Horse Racing (Note 3)	—	563	—
Program Administration	559	482	680
Veterinary Services	232	262	245
Government Services	202	111	217
Industry Support	74	44	72
	<hr/>		
Total expenses	8,649	9,916	10,298
<hr/>			
<b>Annual Surplus</b>	63	371	901
<b>Accumulated Surplus, beginning of year</b>	1,580	1,580	679
	<hr/>		
<b>Accumulated Surplus, end of year</b>	1,643	1,951	1,580
<hr/>			

See accompanying notes to financial statements.

	2014 (\$ 000)	2013 (\$ 000)
Annual Surplus	371	901
(Acquisition) of tangible capital assets	(56)	(4)
Amortization of tangible capital assets	64	76
(Acquisition) of prepaid expense	(85)	(59)
Use of prepaid expense	61	58
	<u>(16)</u>	<u>71</u>
<b>Increase in net financial assets</b>	<b>355</b>	<b>972</b>
<b>Net financial assets, beginning of year</b>	<b>1,407</b>	<b>435</b>
<b>Net financial assets, end of year</b>	<b><u>1,762</u></b>	<b><u>1,407</u></b>

See accompanying notes to financial statements.

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**Ontario Racing Commission**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2014**

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	<b>2014</b>	<b>2013</b>
	(\$ 000)	(\$ 000)
<b>Operating transactions</b>		
Annual Surplus	371	901
Amortization of tangible capital assets	64	76
	<u>435</u>	<u>977</u>
<b>Changes in non-cash operating balances</b>		
Non-cash operating working capital	(12)	(511)
Accrued benefit obligation	(272)	(293)
Deferred lease inducement	(81)	(82)
	<u>(365)</u>	<u>(886)</u>
<b>Capital transactions</b>		
Purchase of tangible capital assets	<u>(56)</u>	<u>(4)</u>
<b>Net change in cash</b>	14	87
<b>Cash, beginning of year</b>	<u>2,425</u>	<u>2,338</u>
<b>Cash, end of year</b>	<u>2,439</u>	<u>2,425</u>

See accompanying notes to financial statements.

## 1. Objective of the Commission

Effective December 15, 2000, the *Racing Commission Act, 2000* continued the Ontario Racing Commission (the “Commission”) as an independent self-financing regulatory agency of the Crown. The Commission is responsible to govern, direct, control and regulate horse racing in the Province.

As an Ontario Crown agency, the Commission is exempted from federal and provincial income taxes under the *Income Tax Act* (Canada).

## 2. Significant Accounting Policies

### (A) BASIS OF ACCOUNTING

These financial statements have been prepared by management in accordance with public sector accounting standards established by the Canadian Public Sector Accounting Board.

### (B) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset, beginning in the year following acquisition, as follows:

Office furniture and equipment	5 years
Computer equipment and software	3 years
Leasehold improvements	remaining term of lease

### (C) REVENUE RECOGNITION

The wagering levy is recognized as income in the year it is due.

Licence and registration fees are recognized as income when issued.

Revenue from fines and penalties, less a provision for uncollectible amounts, is recorded when such fines and penalties are imposed.

### (D) EXPENSE RECOGNITION

Expenses are recognized on an accrual basis as incurred, in the year to which they relate.

### (E) EMPLOYEE BENEFITS

#### (I) PENSION BENEFITS

The Commission’s employees participate in the Public Service Pension Fund (PSPF), which is a defined benefit pension plan for employees of the Province and many provincial agencies. While participation in the fund is mandatory for full-time employees, part-time employees have the ability to opt out of the Fund. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Commission’s annual payments to the fund. As the sponsors are responsible for ensuring that the pension fund is financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission.

## 2. Significant Accounting Policies (Continued)

#### (II) NON-PENSION BENEFITS

The cost of post-retirement non-pension employee benefits is paid by the Province and is not included in the Statement of Operations.

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# Ontario Racing Commission

## Notes to Financial Statements

### March 31, 2014

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#### **(III) ACCRUED BENEFIT OBLIGATION**

The accrued benefit obligation records earned employee severance payments due upon termination or retirement.

#### **(F) FINANCIAL INSTRUMENTS**

The Commission's financial assets and financial liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Accounts receivable are recorded at amortized cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the Statement of operations.
- Accounts payable and accrued liabilities are recorded at cost.

The Commission does not use derivative financial instruments.

#### **(G) MEASUREMENT UNCERTAINTY**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses for the period. Items requiring the use of significant estimates include: useful life of capital assets, accrued benefit obligations, and valuation allowances.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

#### **(H) TRUSTS UNDER ADMINISTRATION**

Trusts administered by the Commission are not included in the financial statements as the assets are not held for the benefit of the Commission. Details of amounts held in trust are disclosed in Note 5.

### 3. Ontario Horse Racing

On March 12, 2012 the Ontario Lottery and Gaming Corporation (“OLG”) and the Ministry of Finance made an announcement that the Slots-At-Racetrack Program in Ontario would end on March 31, 2013. In response to the cancellation of the slots program, in October 2013 the then Ontario Ministry of Agriculture and Food (“OMAF”) announced a five year Horse Racing Partnership Plan (“Plan”) to take effect April 1, 2014.

One of the components of the Plan is the establishment of a new Division at the Commission, Ontario Horse Racing (OHR). This new division is the industry development arm of the Commission, and is responsible for ensuring the effective implementation of the Plan and the distribution of the Plan funding. The province's five-year Plan will provide up to \$500 million (at \$100 million per year) to support the horse racing industry. The Plan includes enhancing support for purses, race dates, and the racehorse breeders, integrating horse racing into the province’s gaming strategy and encouraging a new model of governance for the industry.

To aid the Commission in its preparation for the launch of the Plan, in February, 2014 OMAF agreed to provide transitional funding to the Commission under the Horse Racing Industry Transition Assistance Program. Transitional funding of \$484,000 is included in Cost recovery (Note 11) in the Statement of Operations of which \$284,000 is included in Due from the Province in the Statement of Financial Position.

### 4. Cash and Cash Reserve

#### (A) CASH

The cash balance on the Statement of financial position is made up of the following:

	March 31, 2014	March 31, 2013
	(\$ 000)	(\$ 000)
General	1,439	1,425
Reserve	1,000	1,000
	<u>2,439</u>	<u>2,425</u>

#### (B) RESERVE

Subsection 13(1) of the *Racing Commission Act, 2000* allows the Commission to retain its surplus funds unless, under subsection 13(2), it is ordered by the Minister responsible for the Commission to pay into the Consolidated Revenue Fund of the Province of Ontario the portion of its surplus funds as determined by the Minister. In fiscal 2002, the Commission obtained approval from the then Ministry of Government and Consumer Services to establish a Reserve account not to exceed 25% of the Commission's annual operating budget. These funds will be used as an operating contingency against unanticipated revenue shortfalls.



**Ontario Racing Commission**  
**Notes to Financial Statements**  
**March 31, 2014**

**5. Amounts Held in Trust**

As at March 31, 2014, the Commission held funds in trust in interest-bearing bank accounts for others in the horse racing industry, as follows:

	<b>2014</b>	<b>2013</b>
	<b>(\$ 000)</b>	<b>(\$ 000)</b>
Amounts held in trust:		
Standardbred horsepeople purse account funds	851	630
Total Carbon Dioxide Program	152	20
Quinte racetrack horsepeople purse account funds	12	12
Fort Erie racetrack horsepeople purse account funds	-	1,098
Fort Erie Live Racing Consortium	-	492
	<b>1,015</b>	<b>2,252</b>

**(A) STANDARDBRED HORSEPEOPLE PURSE ACCOUNT FUNDS**

The Commission is holding purse funds from vacated markets and non-licensed tracks for re-distribution for purses at other racetracks.

**(B) TOTAL CARBON DIOXIDE (TCO2) PROGRAM**

Beginning in September 2008, an annual agreement is signed between the Commission and the Canadian Pari-Mutuel Agency (“CPMA”) that CPMA will provide funding to the Commission to subsidize the cost of tests to detect the presence of alkalinizing agents in horses at racetracks that provide pari-mutuel betting. In October 2010, the Commission assumed direct responsibility for the contract for TCO2 sample collection and laboratory testing services. As a result, the cost and funding of this program is reflected within Medication Control expense and Cost recovery revenue, respectively in the Statement of Operations.

**(C) QUINTE RACETRACK HORSEPEOPLE PURSE ACCOUNT FUNDS**

Due to the lack of a licensed operator at the Quinte racetrack, commencing December 2008 the Commission has held the horsepeople purse account in trust.

**(D) FORT ERIE RACETRACK HORSEPEOPLE PURSE ACCOUNT FUNDS**

Commencing in December 2008 the Commission ordered that purse funds received under the Slots-At-Racetrack Program be held in trust by the Commission and dispersed as needed for racing at Fort Erie. With the cancellation of the Slots-At-Racetracks Program, the remaining funds being held were paid out for purses related to races conducted at Fort Erie in 2014.

**(E) FORT ERIE LIVE RACING CONSORTIUM**

On December 31, 2009, the Fort Erie Live Racing Consortium assumed operations of the Fort Erie Racetrack. By mutual agreement between the Consortium, the Ontario Lottery and Gaming Corporation and the Commission, as of January 2010, the Commission received and held in trust amounts generated through the Slots-At-Racetracks Program. With the cancellation of this Program, the remaining funds were paid to the Consortium for use in covering operating costs in 2014.

## 6. Accounts Receivable

	March 31, 2014	March 31, 2013
	(\$ 000)	(\$ 000)
Revenue and other receivables	497	759
HST Receivable	1,057	794
	1,554	1,553
Less: Allowance for Doubtful Accounts	(137)	(117)
	<u>1,417</u>	<u>1,436</u>

Accounts receivables is comprised of HST receivable and amounts due from industry licensees, which are due upon receipt of invoice. Provisions for doubtful accounts are not necessary on most revenue-related receivables due to the licensing relationship that the Commission has with these parties. The allowance for doubtful accounts represents the corresponding provision for a portion of fines receivable.

## 7. Accounts Payable and Accrued Liabilities

	March 31, 2014	March 31, 2013
	(\$ 000)	(\$ 000)
Accounts payable	642	559
Accrued vacation, salaries and benefits	799	605
	<u>1,441</u>	<u>1,164</u>

Accounts Payable relates largely to normal business transactions with third-party vendors and is subject to standard commercial terms. Accrued vacation, salaries and benefits are recorded based on employment arrangements and employment practices under the related legislation. Compensation payables are paid out as required under these contractual or statutory obligations.

## 8. Employee Benefits

### (A) PENSION BENEFITS

The Commission's annual payments of \$294,000 (2013-\$315,000), are included in employee benefits expense in Note 15.

**Ontario Racing Commission**  
**Notes to Financial Statements**  
**March 31, 2014**

**8. Employee Benefits (Continued)**

**(B) ACCRUED BENEFIT OBLIGATION**

The accrued benefit obligation records earned employee severance payments due upon termination or retirement. The decrease in the obligation is due to the Commission's restructuring.

**9. Tangible Capital Assets**

	(\$ 000)			(\$ 000)
	Computer equipment and software	Office furniture and equipment	Leasehold Improvements	Net Book Value
<b>Cost</b>				
Opening balance, April 1, 2013	416	284	450	1,150
Additions	49	7	—	56
Closing Balance, March 31, 2014	465	291	450	1,206
<b>Accumulated Amortization</b>				
Opening Balance, April 1, 2013	(399)	(272)	(315)	(986)
Amortization	(13)	(6)	(45)	(64)
Closing Balance, March 31, 2014	(412)	(278)	(360)	(1,050)
<b>Net Book Value, March 31, 2014</b>	<b>53</b>	<b>13</b>	<b>90</b>	<b>156</b>

	(\$ 000)			(\$ 000)
	Computer equipment and software	Office furniture and equipment	Leasehold Improvements	Net Book Value
<b>Cost</b>				
Opening balance, April 1, 2012	414	282	450	1,146
Additions	2	2	—	4
Closing Balance, March 31, 2013	416	284	450	1,150
<b>Accumulated Amortization</b>				
Opening Balance, April 1, 2012	(377)	(263)	(270)	(910)
Amortization	(22)	(9)	(45)	(76)
Closing Balance, March 31, 2013	(399)	(272)	(315)	(986)
<b>Net Book Value, March 31, 2013</b>	<b>17</b>	<b>12</b>	<b>135</b>	<b>164</b>

## 10. Wagering Levy

The levy was established such that the total sum of the levy and other revenues received by the Commission would be sufficient to cover all costs associated with the operation of the Commission. The levy is calculated as a percentage of total wagering made at each racing association during the 2012 calendar year.

## 11. Cost Recovery

The Commission recovers certain costs from the industry and OMAF for its activities as follows:

	<b>2014</b>	<b>2013</b>
	<b>(\$ 000)</b>	<b>(\$ 000)</b>
Cost recovery from:		
Equine Medication and Drug Control	819	1,060
OMAF – Transition Funding (Note 3)	484	-
TCO2 Program	454	668
Horse Improvement Program	285	358
Quarter Horse Racing Industry Development Program	131	178
Miscellaneous	125	28
Purse Examinations	20	8
Ontario Racing Program	-	207
	<u>2,318</u>	<u>2,507</u>

### (A) EQUINE MEDICATION AND DRUG CONTROL

A letter of intent dated December 20, 2006, between an Ontario horse racing industry advisory group and the Commission established the Equine Medication Control and Drug Task Force. The mandate of the Task Force, which is administered by the Commission and partially funded by the racetracks and the horsepeople purse accounts, is to combat the supply and use of illegal equine medications and drugs in the Ontario horse racing industry. The agreement, which covered the two year period from January 1, 2007 through December 31, 2008, required the industry to provide regular payments to fund the Task Force and the Commission records these payments as a deferred cost recovery from industry until the related costs are incurred. Since the expiration of that initial two year agreement, the Commission has arranged to continue administering the Task Force under the same terms and financial arrangements. As of March 31, 2014 all Task Force funding from the industry had been spent.

### (B) TCO2 PROGRAM

As of October 1, 2010, the Commission assumed responsibility for the sample collection and laboratory testing services of the TCO2 Program. The costs of tests to detect the presence of alkalizing agents in horses at racetracks that provide pari-mutuel betting are included as Medication Control. These test costs are fully recovered and included as Cost Recovery through charges to the racetrack operators, net of CPMA funding subsidies.

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# Ontario Racing Commission

## Notes to Financial Statements

### March 31, 2014

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## 11. Cost Recovery (continued)

### (C) HORSE IMPROVEMENT PROGRAM

As of May 1, 2005, the Commission assumed responsibility for the administration of the Horse Improvement Program (HIP). The HIP is a racing and breeding incentive program that was established in 1974. The objectives of the program are: to supplement purses paid; to improve the quality and quantity of racing stock in Ontario; to fund equine research; to promote the Ontario-bred horse; and to promote horse breeding and ownership in the province. A Memorandum of Understanding (MOU) effective September 30, 1996 between the then Ministry of Consumer and Commercial Relations, the Ontario Horse Racing Industry Association and the Commission provided for a reduction of pari-mutuel taxes, with these forgone revenues being allocated to various industry participants. The MOU had been supplemented by subsequent agreements to include an allocated portion of revenues from slot machines at racetracks. This portion of the HIP funding ended March 31, 2013. (Note 3). Separate financial statements have been prepared for the HIP, which were audited by an independent public accounting firm.

### (D) QUARTER HORSE RACING INDUSTRY DEVELOPMENT PROGRAM

As a result of an agreement between the Ontario Lottery and Gaming Corporation and owners of the Ajax Downs racetrack, the Commission assumed responsibility to administer the Quarter Horse Racing Industry Development Program (QHRIDP) with an objective to establish a program for the betterment of the Ontario quarter horse racing industry and horse racing in general. Since March 2006, the program had been funded by an allocated portion of revenues from slot machines at the racetrack. Effective April 1, 2014 the quarter horse industry in Ontario will be funded through the Horse Racing Partnership Plan (Note 3). Separate financial statements have been prepared for the QHRIDP, which were audited by an independent public accounting firm.

### (E) PURSE EXAMINATIONS

Pursuant to changes to the Rules of Racing that were approved in fiscal 2008, the Commission recovered its costs for conducting examinations on the financial statements of the purse accounts that the racetrack operators hold in trust for the horsepeople.

### (F) ONTARIO RACING PROGRAM

The Ontario Racing Program (ORP) is a province-wide approach to the conduct of horse racing. The ORP was developed in 2010 in consultation with industry stakeholders to coordinate and provide structure in addressing local, regional and provincial issues. The Program is built upon a Framework approved by the Board of the Commission. An Implementation and Monitoring Group was established to provide on-going oversight, respond to requests to deviate from the Program, monitor results, ensure compliance and continue to refine and develop the ORP.

The ORP has focused on critical Standardbred racing issues, although the principles of the program apply equally to all breeds. In fiscal year 2014 the Commission made the decision to absorb these costs. Beginning in 2015, the principles and functions of the ORP will be implemented through the ORC's new industry development arm, OHR (Note 3).

## 12. Members' Remuneration

Total remuneration of the Chair and members of the Commission for the year was \$192,000 (2013 – \$183,000). Members' remuneration is charged to Governance expense in the Statement of Operations and in Services in Note 15.

### 13. Financial Instruments

**(A) LIQUIDITY RISK:**

Liquidity risk is the risk that the Commission will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Commission manages its liquidity risk by monitoring its operating requirements. The Commission prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

**(B) CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission is exposed to credit risk arising from its accounts receivable. Due to the nature of these receivables, the Commission recognizes its receivables net of an impairment based on historical trends.

It is management's opinion that the Commission is not exposed to significant interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

### 14. Commitments and Contingencies

(A) The Commission is committed under operating leases on head office premises and vehicles with future minimum rental payments due for each fiscal year as follows:

	<b>Premises (\$ 000)</b>	<b>Vehicles (\$ 000)</b>	<b>Total (\$ 000)</b>
2015	385	73	458
2016	384	12	396
2017	26	5	31
2018	13	-	13
	<b>808</b>	<b>90</b>	<b>898</b>

(B) The Commission is involved in various legal actions arising out of the ordinary course of business. These matters may give rise to future liabilities. The outcome and ultimate disposition of these actions are not determinable at this time, and accordingly, no provision has been made in these financial statements for any liability that may result. Settlements paid by the Commission, if any, will be accounted for in the period in which the settlement occurs.

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# Ontario Racing Commission

## Notes to Financial Statements

### March 31, 2014

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#### 15. Expenses by Object

The following is a summary of expenses by object:

	<b>2014</b>	<b>2013</b>
	<b>(\$ 000)</b>	<b>(\$ 000)</b>
Salaries and wages	4,604	4,649
Services (Note 16)	3,572	3,856
Employee benefits (Note 8)	834	793
Transportation and communication	725	793
Supplies	117	131
Amortization	64	76
Total expenses	<u>9,916</u>	<u>10,298</u>

Expenses incurred for a specific activity are allocated to that activity based on actual costs. Expenses that have not been identified with a specific activity, such as overhead costs, have been allocated to the lines of business on the Statement of Operations based on estimates of time spent in each activity.

#### 16. Related Party Transactions

The Commission paid the Province of Ontario for: Ontario Provincial Police investigative and related services totalling \$907,000 (2013– \$1,161,000); and for administrative services, information technology services, and use of computer equipment totalling \$191,000 (2013 – \$182,000).

During the year, the Commission received transitional funding from OMAF under the Horse Racing Industry Transition Assistance Program of \$484,000 (Note 3).

The Commission has governance and administrative responsibilities over certain industry-funded programs and recovers its costs as disclosed under Note 11.

#### 17. Deferred Lease Inducement

As part of its lease arrangements for its head office premise, the Commission negotiated a lease inducement of \$820,000. This included the value of rent-free periods and to cover the costs of leasehold improvements. This deferred lease inducement is being amortized as a reduction of rent expense on a straight-line basis over the 10-year lease period that commenced April 1, 2006, being the start date of the lease.

#### 18. Budgeted Figures

Budgeted figures are approved by the Board of the Commission and the then Ministry of Agriculture and Food. Subsequent to the Budget's approval, a number of additional racetracks entered into transfer payment agreements with the government to secure racing in 2014. Consequently the underlying assumptions used to prepare the Budget no longer reflected the magnitude of racing activities. These financial statements present only the original approved Budget.

## **19. Comparative Figures**

Prior year's figures have been reclassified to conform to the current year's presentation.



## ONTARIO RACETRACKS

### ORC OFFICES

#### Head Office

Ontario Racing Commission  
Suite 400  
10 Carlson Court  
Toronto, Ontario M9W 6L2

(416) 213-0520  
(416) 213-7827 FAX  
inquiry@ontarioracingcommission.ca

Hours of operation  
8:00 a.m. to 5:00 p.m. Monday through Friday

#### Thoroughbred ORC Offices

Fort Erie Race Track, Fort Erie  
(905) 871-3200 ext. 3612  
8:30 p.m. to 2:00 p.m. on live race dates

Woodbine Racetrack, Toronto  
(416) 675-3993 ext. 2237  
8:30 a.m. to 2:30 p.m. Thursday through Sunday  
8:30 a.m. to 6:00 p.m. Wednesdays

#### Standardbred ORC Offices

Clinton Raceway, Clinton  
(519) 482-5270 ask for the ORC office  
11:30 a.m. to 2:30 p.m. on live race dates

Dresden Raceway, Dresden  
(519) 683-4466 and ask for the ORC office  
11:00 a.m. to 2:00 p.m. on live race dates

Flamboro Downs, Dundas  
(905) 627-3561 ext. 261  
2:00 p.m. to 6:00 p.m. Wednesday through Saturday  
4:00 p.m. to 8:00 p.m. Sundays

Georgian Downs, Innisfil  
(705) 726-9400 ext. 406  
5:00 p.m. to 9:00 p.m. on live race dates

Grand River Raceway, Elora  
(519) 846-5455 and ask for ORC office  
4:00 p.m. to 8:00 p.m. on live race dates

Hanover Raceway, Hanover  
(519) 364-2860 and ask for the ORC office  
4:00 p.m. to 8:00 p.m. on live race dates

Hiawatha Horse Park, Sarnia  
(519) 542-5543 and ask for ORC office  
5:00 p.m. to 8:00 p.m. on live race dates

Kawartha Downs, Fraserville  
(705) 939-6316 ext. 232  
1:00 p.m. to 5:00 p.m. on live afternoon race dates  
(Tuesdays)  
4:00 p.m. to 8:00 p.m. on live night race dates (Thursdays)

Mohawk Racetrack, Campbellville  
1-888-675-7223 (1-888-675-RACE)  
(905) 854-2255 ext 4311  
4:30 p.m. to 8:30 p.m. on live race dates  
8:30 a.m. to 11:30 a.m. during qualifiers

Rideau Carleton Raceway, Ottawa  
(613) 822-2211 ext. 355  
4:30 p.m. to 8:30 p.m. on live night race dates

The Raceway at Western Fair District, London  
(519) 438-7203 Ext. 511  
5:00 p.m. to 8:30 p.m. on live night race dates  
1:30 p.m. to 5:00 p.m. on live afternoon race dates

Woodbine Racetrack, Toronto  
1-888-675-7223 (1-888-675-RACE)  
(416) 675-3993 Ext 2641 or 1-800-268-9967 (toll free in Ontario)  
Winter hours:  
11:00 a.m. – 2:00 p.m. Sundays  
4:30 p.m. – 8:30 p.m. on live race dates

#### Quarter Horse ORC Offices

Ajax Downs, Ajax  
(905) 686-8001 Ext: 242  
11:00 a.m. - 3:00 p.m. Tuesdays  
9:30 a.m. – 1:30 p.m. Sundays