

**Ontario Racing Commission  
Financial Statements  
For the Year Ended March 31, 2015**

**Ontario  
Racing  
Commission**

Suite 400  
10 Carlson Court  
Toronto, Ontario  
M9W 6L2  
Tel 416 213-0520  
Fax 416 213-7827

**Commission  
des courses  
de l'Ontario**

Bureau 400  
10 Carlson Court  
Toronto (Ontario)  
M9W 6L2  
Tél 416 213-0520  
Télééc 416 213-7827



## **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 25, 2015.

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 be "Steve Lehman".

---

Steve Lehman  
Executive Director and CEO

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

---

Leslie Campbell  
Manager, Finance and Administration



Office of the Auditor General of Ontario  
Bureau du vérificateur général de l'Ontario

*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, 2015, 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, 2015 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Future of the Commission**

While not affecting my opinion, I draw attention to note 19 to the financial statements, which indicates that legislative changes are proposed that would integrate the Ontario Racing Commission's existing mandate within that of both the Ontario Lottery and Gaming Corporation and the Alcohol and Gaming Commission of Ontario.

Toronto, Ontario  
June 25, 2015

Susan Klein, CPA, CA, LPA  
Assistant Auditor General

Box 105, 15th Floor  
20 Dundas Street West  
Toronto, Ontario  
M5G 2C2  
416-327-2381  
fax 416-326-3812

B.P. 105, 15<sup>e</sup> étage  
20, rue Dundas ouest  
Toronto (Ontario)  
M5G 2C2  
416-327-2381  
télécopieur 416-326-3812

---

# Ontario Racing Commission

## Statement of Financial Position For the year ended March 31, 2015

---

	March 31, 2015 (\$ 000)	March 31, 2014 (\$ 000)
<b>Financial Assets</b>		
Cash (Note 4(A))	7,192	2,439
Accounts receivable (Note 6)	1,153	1,417
Due from the Province (Note 3)	-	284
	<u>8,345</u>	<u>4,140</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	3,876	1,441
Deferred Revenue (Note 3)	1,327	-
Accrued benefit obligation (Note 8(B))	640	742
Deferred lease inducement (Note 17)	82	195
	<u>5,925</u>	<u>2,378</u>
<b>Net Financial Assets</b>	<u>2,420</u>	<u>1,762</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 9)	128	156
Prepaid expenses	33	33
	<u>161</u>	<u>189</u>
<b>Accumulated Surplus (Note 4(B))</b>	<u>2,581</u>	<u>1,951</u>

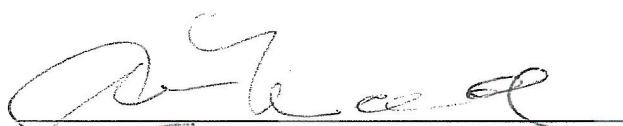
Commitments and Contingencies (Note 14)

Amounts Held in Trust (Note 5)

See accompanying notes to financial statements.

Approved on behalf of the Commission:

  
Elmer Buchanan, Chair

  
John Macdonald, Member



---

# Ontario Racing Commission

## Statement of Operations

For the year ended March 31, 2015

---

	Budget 2015 (\$ 000) (Note 18)	2015 (\$ 000)	2014 (\$ 000)
<b>Revenue</b>			
Horse Racing Partnership Funding Program (Schedule A)	100,000	98,586	-
Regulatory Funding (Note 10)	6,188	6,351	4,605
Licence and registration fees	2,063	2,426	3,113
Cost recovery (Note 11)	322	605	2,318
Fines and penalties	250	106	223
Interest income	20	51	25
Miscellaneous	9	26	3
<b>Total revenue</b>	<b>108,852</b>	<b>108,151</b>	<b>10,287</b>
<b>Expenses (Note 15)</b>			
Horse Racing Partnership Funding Program (Schedule A)	99,759	98,319	-
Race Officiating	2,924	2,874	2,829
Compliance Investigation	1,364	1,210	1,492
Medication Control	1,091	1,294	1,216
Administration	834	746	1,028
Hearings & Adjudication	560	477	692
Governance	596	644	622
Licensing & Due Diligence	807	979	575
Ontario Horse Racing (Note 3)	-	-	563
HIP and QHRIDP Administration (Note 3)	381	469	482
Veterinary Services	331	437	262
Government Services	172	62	111
Industry Support	33	10	44
<b>Total expenses</b>	<b>108,852</b>	<b>107,521</b>	<b>9,916</b>
<b>Annual Surplus</b>	<b>-</b>	<b>630</b>	<b>371</b>
<b>Accumulated Surplus, beginning of year</b>	<b>1,951</b>	<b>1,951</b>	<b>1,580</b>
<b>Accumulated Surplus, end of year</b>	<b>1,951</b>	<b>2,581</b>	<b>1,951</b>

See accompanying notes to financial statements.

---

# Ontario Racing Commission

## Statement of Changes in Net Financial Assets For the Year Ended March 31, 2015

---

	2015 (\$ 000)	2014 (\$ 000)
Annual Surplus	630	371
(Acquisition) of tangible capital assets	(47)	(56)
Amortization of tangible capital assets	75	64
(Acquisition) of prepaid expense	(76)	(85)
Use of prepaid expense	76	61
	<hr/> 28	<hr/> (16)
<b>Increase in net financial assets</b>	<b>658</b>	<b>355</b>
<b>Net financial assets, beginning of year</b>	<b>1,762</b>	<b>1,407</b>
<b>Net financial assets, end of year</b>	<b>2,420</b>	<b>1,762</b>

See accompanying notes to financial statements.

---

# Ontario Racing Commission

## Statement of Cash Flows

For the Year Ended March 31, 2015

---

	2015 (\$ 000)	2014 (\$ 000)
<b>Operating transactions</b>		
Annual Surplus	630	371
Amortization of tangible capital assets	75	64
	<u>705</u>	<u>435</u>
<b>Changes in non-cash operating balances</b>		
Non-cash operating working capital	4,310	(12)
Accrued benefit obligation	(102)	(272)
Deferred lease inducement	(113)	(81)
	<u>4,095</u>	<u>(365)</u>
<b>Capital transactions</b>		
Purchase of tangible capital assets	(47)	(56)
	<u>(47)</u>	<u>(56)</u>
<b>Net change in cash</b>	4,753	14
<b>Cash, beginning of year</b>	<u>2,439</u>	<u>2,425</u>
<b>Cash, end of year</b>	<u>7,192</u>	<u>2,439</u>

See accompanying notes to financial statements.

**Ontario Racing Commission**  
**Horse Racing Partnership Funding Program**  
**For the Year Ended March 31, 2015**

**Schedule A**

	Budget 2015 (\$ 000)	(Note 3) 2015 (\$ 000)
<b>Revenue</b>		
HRPFP Transfer Payment Agreement	100,000	99,800
Interest and Miscellaneous Income	-	113
	<u>100,000</u>	<u>99,913</u>
Less: Deferred Revenue	-	(1,327)
	<u>100,000</u>	<u>98,586</u>
<b>Expenses (Note 15)</b>		
Purses		
Centralized Tracks	68,900	70,919
Regional Tracks	5,000	1,532
FAR Tracks	6,373	8,100
Operational Support		
Regional Tracks	3,250	1,492
FAR Tracks	8,377	7,929
Industry Development		
Breeder Support		7,000
HRPFP Administration		916
Marketing, Branding and Communication		356
Other		75
	<u>100,000</u>	<u>98,319</u>
HIP and QHRIDP Administration (Note 3)		<u>267</u>
Total HRPFP Expenses		<u>98,586</u>
<b>Annual Surplus</b>		<u>-</u>



---

# Ontario Racing Commission

## Notes to Financial Statements

March 31, 2015

### 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
Custom developed software	7 years
Leasehold improvements	remaining term of lease

#### (C) REVENUE RECOGNITION

The regulatory funding 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.

Deferred revenue is recognized as amounts received during the year, under the HRPFP, which is committed to be paid out to transfer payment agreement recipients after the year-end.

#### (D) EXPENSE RECOGNITION

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

---

# Ontario Racing Commission

## Notes to Financial Statements

March 31, 2015

### (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.

#### (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.

#### (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.

---

# Ontario Racing Commission

## Notes to Financial Statements

March 31, 2015

### 3. Horse Racing Partnership Funding Program (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 Funding Program ("HRPFP" or "Program") to take effect April 1, 2014. The Program was established by Order in Councils 251/2014 and 528/2014 in early 2014.

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

One of the components of the HRPFP 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 Program and the distribution of the HRPFP 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.

In fiscal 2015 the Commission received \$99.8 million in funds from the HRPFP (2014 – \$0).

The ORC has entered into an Accountability Agreement with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), which further defines funded activities, establishes a reporting framework, and sets accountability indicators and performance targets.

For purposes of the HRPFP, Ontario racetracks have been segmented into three categories:

1. Centralized funds support Clinton Raceway, Flamboro Downs, Georgian Downs, Grand River Raceway, Hanover Raceway, Western Fair, Mohawk Racetrack and Woodbine Racetrack.
2. Regional funds support Dresden Raceway, Hiawatha Horse Park, Kawartha Downs, and Lakeshore Raceway.
3. FAR funds support Fort Erie, Ajax Downs, and Rideau Carleton.

Total costs of administering the Horse Improvement Program (HIP) and Quarter Horse Racing Industry Development Program (QHRIDP) in 2014-2015 were \$469,000 (2014 - \$482,000) of which \$267,000 (2014 – \$0) has been funded by the HRPFP.

At March 31, 2015, deferred revenue of \$ 1,327,000 represents amounts received during the year under the HRPFP, which is committed to be paid out to transfer payment agreement recipients after the year-end.



---

# Ontario Racing Commission

## Notes to Financial Statements

March 31, 2015

### 4. Cash and Cash Reserve

#### (A) CASH

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

	March 31, 2015 (\$ 000)	March 31, 2014 (\$ 000)
General	2,944	1,439
Ontario Horse Racing	3,248	-
Reserve	1,000	1,000
	<u>7,192</u>	<u>2,439</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 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.

### 5. Amounts Held in Trust

As at March 31, 2015, the Commission held funds in trust in interest-bearing bank accounts for others in the horse racing industry, as follows:

	2015 (\$ 000)	2014 (\$ 000)
Amounts held in trust:		
Standardbred horsepeople purse account funds	668	851
Total Carbon Dioxide Program	20	152
Quinte racetrack horsepeople purse account funds	12	12
	<u>700</u>	<u>1,015</u>

Trusts administered by the Commission are not included in the financial statements as the assets are not held for the benefit of the Commission.

#### (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.



---

# Ontario Racing Commission

## Notes to Financial Statements

March 31, 2015

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

The amount held in trust represents funding received from the Canadian Pari-Mutuel Agency ("CPMA") in prior years to subsidize the tracks for the costs of tests to detect the presence of alkalizing agents in horses at racetracks that provide pari-mutuel betting. These amounts were not paid prior to the year end and are being held in trust for the racetracks.

### (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.

## 6. Accounts Receivable

	March 31, 2015 (\$ 000)	March 31, 2014 (\$ 000)
Revenue and other receivables	1,080	497
HST Receivable	99	1,057
	1,179	1,554
Less: Allowance for Doubtful Accounts	(26)	(137)
	1,153	1,417

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, 2015 (\$ 000)	March 31, 2014 (\$ 000)
Accounts payable	3,153	642
Accrued vacation, salaries and benefits	723	799
	3,876	1,441

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 \$280,000 (2014-\$294,000), are included in employee benefits expense in Note 15.

# Ontario Racing Commission

## Notes to Financial Statements March 31, 2015

### (B) ACCRUED BENEFIT OBLIGATION

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

### 9. Tangible Capital Assets

	(\$ 000)				(\$ 000)
	Computer equipment and software	Custom Developed Software	Office furniture and equipment	Leasehold Improvement s	Net Book Value
<b>Cost</b>					
Opening balance, April 1, 2014	465	—	291	450	1,206
Additions	2	44	1	—	47
Closing Balance, March 31, 2015	467	44	292	450	1,253
<b>Accumulated Amortization</b>					
Opening Balance, April 1, 2014	(412)	—	(278)	(360)	(1,050)
Amortization	(26)	—	(4)	(45)	(75)
Closing Balance, March 31, 2015	(438)	—	(282)	(405)	(1,125)
<b>Net Book Value, March 31, 2015</b>	<b>29</b>	<b>44</b>	<b>10</b>	<b>45</b>	<b>128</b>

	(\$ 000)			(\$ 000)
	Computer equipment and software	Office furniture and equipment	Leasehold Improvement s	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>

During the year the ORC began developing the International Racing Information and Intelligence Service (IRIIS). IRIIS is a global data-sharing platform that will allow the sharing of information across multiple regulatory communities. As of March 31, 2015 costs of \$44,000 have been capitalized for this project. These costs will be amortized over a 7 year period.

---

# Ontario Racing Commission

## Notes to Financial Statements

March 31, 2015

### 10. Regulatory Funding

The regulatory funding amount was established such that the total sum of this funding and other revenues received by the Commission would be sufficient to cover all costs associated with the operation of the Commission. The funding is calculated as a percentage of total wagering made at each racing association. Effective April 1, 2014 the percentage of wagering earned as regulatory funding increased from 0.5 percent to 0.75 percent.

### 11. Cost Recovery

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

	2015	2014
	(\$ 000)	(\$ 000)
Cost recovery from:		
Equine Medication and Drug Control	-	819
OMAF – Transition Funding (Note 3)	-	484
TCO2 Program	522	454
Horse Improvement Program	-	285
Quarter Horse Racing Industry Development Program	-	131
Miscellaneous	83	125
Purse Examinations	-	20
	605	2,318

#### (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 recorded these payments as a deferred cost recovery from industry until the related costs were 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. Beginning in fiscal 2015, the Equine Medication and Drug Control Program is being funded through an increase in the overall Regulatory Funding (Note 10).

#### (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.

#### (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



---

# Ontario Racing Commission

## Notes to Financial Statements

March 31, 2015

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.

Effective April 1, 2014, the costs of administering the HIP were funded through the HRPFP. 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, including the costs of administering the QHRIDP, is funded through the Ontario Horse Racing Partnership Funding Program (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.

## 12. Members' Remuneration

Total remuneration of the Chair and members of the Commission for the year was \$139,000 (2014 – \$192,000). 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.



---

# Ontario Racing Commission

## Notes to Financial Statements

March 31, 2015

### 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:

	Premises (\$ 000)	Vehicles (\$ 000)	Total (\$ 000)
2016	384	48	432
2017	26	35	61
2018	13	10	23
2019	-	8	8
	<u>423</u>	<u>101</u>	<u>524</u>

(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.

### 15. Expenses by Object

The following is a summary of expenses by object:

	2015 (\$ 000)	2014 (\$ 000)
Salaries and wages	4,602	4,604
Services (Note 16)	101,073	3,572
Employee benefits (Note 8)	816	834
Transportation and communication	840	725
Supplies	115	117
Amortization	75	64
Total expenses	<u>107,521</u>	<u>9,916</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.

---

# Ontario Racing Commission

## Notes to Financial Statements

March 31, 2015

### 16. Related Party Transactions

The Commission paid the Province of Ontario for: Ontario Provincial Police investigative and related services totalling \$961,000 (2014 – \$907,000); and for administrative services, information technology services, and use of computer equipment totalling \$222,000 (2014 – \$191,000).

During the year, the Commission received funding from OMAFRA under the Horse Racing Partnership Funding Program of \$99.8 million (Note 3).

The Commission has governance and administrative responsibilities over certain industry-funded programs and recovers some of 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

The budgeted figures for the Commission represent the initial budget for the year approved by the Board of Directors of the Commission. The budgeted figures for the HRPFP were established in the Agreement Amending the ORC Accountability Agreement with the then OMAF dated March 26, 2014.. These financial statements present only the original approved Budget.

### 19. Future of the Commission

In the April 23, 2015 provincial budget the government stated that is it committed to strategically realigning provincial horse racing regulation, adjudication and funding within government and agencies. Strengthening collaboration between industry and government is important to the industry's long-term sustainability, recognizing its role in both rural and urban Ontario.

In 2015-2016 the government announced it will propose legislative changes to a number of statutes. If passed, these changes would integrate financial support for provincial horse racing within Ontario Lottery and Gaming Corporation's mandate and transfer regulatory responsibilities for horse racing to the Alcohol and Gaming Commission of Ontario.