

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:


Steve Lehman
Executive Director and CEO


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

Ontario Racing Commission

Statement of Financial Position

As at March 31, 2014

	March 31, 2014 (\$ 000)	March 31, 2013 (\$ 000)
Financial Assets		
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>
Liabilities		
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>
Net Financial Assets	<u>1,762</u>	<u>1,407</u>
Non-Financial Assets		
Tangible capital assets (Note 9)	156	164
Prepaid expenses	33	9
	<u>189</u>	<u>173</u>
Accumulated Surplus (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

Ontario Racing Commission

Statement of Operations

For the year ended March 31, 2014

	Budget 2014 (\$ 000) (Note 17)	2014 (\$ 000)	2013 (\$ 000)
Revenue			
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
Total revenue	8,712	10,287	11,199
Expenses (Note 15)			
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
Total expenses	8,649	9,916	10,298
Annual Surplus	63	371	901
Accumulated Surplus, beginning of year	1,580	1,580	679
Accumulated Surplus, end of year	1,643	1,951	1,580

See accompanying notes to financial statements.

Ontario Racing Commission

Statement of Changes in Net Financial Assets

For the Year Ended March 31, 2014

	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>
Increase in net financial assets	355	972
Net financial assets, beginning of year	1,407	435
Net financial assets, end of year	<u>1,762</u>	<u>1,407</u>

See accompanying notes to financial statements.

Ontario Racing Commission

Statement of Cash Flows

For the Year Ended March 31, 2014

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

See accompanying notes to financial statements.

Ontario Racing Commission

Notes to Financial Statements

March 31, 2014

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.

Ontario Racing Commission

Notes to Financial Statements

March 31, 2014

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.

(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.

Ontario Racing Commission

Notes to Financial Statements

March 31, 2014

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:

	2014 (\$ 000)	2013 (\$ 000)
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
	<u>1,015</u>	<u>2,252</u>

(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.

Ontario Racing Commission

Notes to Financial Statements

March 31, 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)
	1,417	1,436

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
	1,441	1,164

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
Cost				
Opening balance, April 1, 2013	416	284	450	1,150
Additions	49	7	—	56
Closing Balance, March 31, 2014	465	291	450	1,206
Accumulated Amortization				
Opening Balance, April 1, 2013	(399)	(272)	(315)	(986)
Amortization	(13)	(6)	(45)	(64)
Closing Balance, March 31, 2014	(412)	(278)	(360)	(1,050)
Net Book Value, March 31, 2014	53	13	90	156

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

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.

Ontario Racing Commission

Notes to Financial Statements

March 31, 2014

11. Cost Recovery

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

	2014 (\$ 000)	2013 (\$ 000)
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.

Ontario Racing Commission

Notes to Financial Statements

March 31, 2014

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.

Ontario Racing Commission

Notes to Financial Statements

March 31, 2014

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:

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

(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.

Ontario Racing Commission

Notes to Financial Statements

March 31, 2014

15. Expenses by Object

The following is a summary of expenses by object:

	2014 (\$ 000)	2013 (\$ 000)
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.