

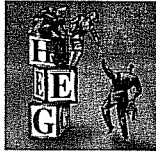
**ONTARIO RACING COMMISSION
QUARTER HORSE RACING INDUSTRY
DEVELOPMENT PROGRAM**

FINANCIAL STATEMENTS

DECEMBER 31, 2007

Hilborn Ellis Grant LLP
Chartered Accountants
Toronto, Ontario





Hilborn Ellis Grant LLP
Chartered Accountants

Auditors' Report

To the Board of
Ontario Racing Commission

We have audited the statement of financial position of **Ontario Racing Commission - Quarter Horse Racing Industry Development Program** as at December 31, 2007 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Program as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Hilborn Ellis Grant LLP

Toronto, Ontario
March 7, 2008

Chartered Accountants
Licensed Public Accountants



**ONTARIO RACING COMMISSION
QUARTER HORSE RACING INDUSTRY DEVELOPMENT PROGRAM**

Statement of Financial Position

December 31	2007 \$	2006 \$
ASSETS		
Current assets		
Cash	11,337,648	4,500,683
Accounts receivable	287,392	237,442
Due from Ajax Downs Purse Account (note 3)	204,652	-
	<u>11,829,692</u>	<u>4,738,125</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	76,354	92,136
Due to Ontario Racing Commission	50,918	11,500
Due to Horse Improvement Program	13,400	-
	<u>140,672</u>	<u>103,636</u>
NET ASSETS	<u>11,689,020</u>	<u>4,634,489</u>
	<u>11,829,692</u>	<u>4,738,125</u>

Approved on behalf of the Board:

Commission Chair

Commission Member

**ONTARIO RACING COMMISSION
QUARTER HORSE RACING INDUSTRY DEVELOPMENT PROGRAM**

Statement of Operations

Year ended December 31	2007 \$	2006 \$
Revenues		
Slot revenue	9,788,351	7,038,334
Interest income	342,171	70,808
	<u>10,130,522</u>	<u>7,109,142</u>
Expenditures		
Purse supplement	1,466,036	930,000
Residency bonus	435,312	251,099
Stake purses	515,000	135,000
Stakes breeder and stallion bonuses	37,500	-
Breeders' awards	349,624	36,503
Owners' awards	-	20,000
Early season starting awards	-	20,000
First time starter awards	37,000	20,000
Stallion awards	35,000	-
Guaranteed starter awards	37,000	-
Equine research	35,000	35,000
Receiving barns	-	40,000
Funding to Quarter Racing Owners of Ontario, Inc.	81,113	108,800
Medication control	37,503	-
Administration (note 4)	177,987	139,840
	<u>3,244,075</u>	<u>1,736,242</u>
Excess of revenues over expenditures for year	<u>6,886,447</u>	<u>5,372,900</u>

Statement of Changes in Net Assets

Year ended December 31	2007 \$	2006 \$
Net assets, beginning of year	4,634,489	(738,411)
Excess of revenues over expenditures for year	6,886,447	5,372,900
Transfer from the Horse Improvement Program (note 5)	168,084	-
Net assets, end of year	<u>11,689,020</u>	<u>4,634,489</u>



ONTARIO RACING COMMISSION

QUARTER HORSE RACING INDUSTRY DEVELOPMENT PROGRAM

Notes to Financial Statements

December 31, 2007

1. **Organization**

The objective of the Quarter Horse Racing Industry Development Program ("Program") is to support development of a strong and sustainable Quarter Horse racing industry in Ontario. Specifically, the Program's main objectives are to achieve measured, balanced growth for the sector and to improve the quantity and quality of Ontario-bred racing stock active in Quarter Horse racing in Ontario. The Program was established during 2005 with revenues and disbursements beginning in calendar 2006. The Site Holder Agreement for Ajax Downs between Picov Downs Inc. and the Ontario Lottery and Gaming Corporation ("OLG") names the Ontario Racing Commission ("ORC") to receive the industry share of the Slots Program fund, and to develop programs to benefit the Quarter Horse Industry and the horse racing industry generally. The Program has been developed in cooperation with the industry and has been approved by the ORC.

These financial statements pertain only to the activities of the Program and do not include the assets, liabilities, revenues or expenses of the ORC or any other program for which it has administrative responsibility. Separate financial statements have been prepared for the ORC and each respective program it administers.

2. **Significant accounting policies**

(a) **Significant accounting policies adopted during the year**

During the year, the Program adopted new standards recommended in the Canadian Institute of Chartered Accountants (CICA) Handbook on accounting changes, Section 1506.

Section 1506, Accounting Changes, aims to improve the relevance, reliability and comparability of financial statements over time and to those of other entities by establishing criteria for accounting changes and related disclosures. The standard also requires that an entity set out disclosure about new primary sources of Canadian generally accepted accounting principles that have been issued but are not yet effective (note 7). The Program adopted the standard for the fiscal year ended December 31, 2007.

(b) **Revenue recognition**

The ORC is entitled to receive a portion of slot revenue collected from slot machines at Ajax Downs for the purposes of planning and directing the use of the funds for the benefit of the industry. The terms of the Site Holder Agreement states that the Program will receive 10% of the "net win" which represents the full entitlement of the slot revenues at Ajax Downs by the horse racing industry. The 10% is paid by the OLG to the Program on a weekly basis. The Program follows accrual accounting and slot revenues are recognized in the year in which the "net win" is earned by the OLG.



ONTARIO RACING COMMISSION QUARTER HORSE RACING INDUSTRY DEVELOPMENT PROGRAM

Notes to Financial Statements (continued)

December 31, 2007

2. Significant accounting policies (continued)

(c) Financial instruments

The carrying amount of the Program's financial instruments, consisting of all assets and liabilities, approximate their fair value unless otherwise noted.

It is management's opinion that, unless otherwise noted, the Program is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

(d) Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Due from Ajax Downs Purse Account

This account consists of amounts paid to the Ajax Downs Purse Account for future purse supplements and residency bonuses.

4. Administration expenditures

	2007	2006
	\$	\$
Consulting	54,173	56,456
Audit	13,357	13,332
Administrative fees to the ORC	81,340	47,811
Meetings, printing and other administration	29,117	22,241
	<u>177,987</u>	<u>139,840</u>

5. Transfer from the Horse Improvement Program

The amounts transferred from the Horse Improvement Program are collected by the Horse Improvement Program from the wagering levy and are transferred annually. The funds arise from a levy of two percent on all wagers plus an additional two percent on triactors on wagers at Ajax Downs during the year for the purpose of funding the Program.

**ONTARIO RACING COMMISSION
QUARTER HORSE RACING INDUSTRY DEVELOPMENT PROGRAM**

Notes to Financial Statements (continued)

December 31, 2007

6. **Statement of cash flows**

A statement of cash flows has not been presented, as the information is readily apparent.

7. **Future Accounting Changes**

The following summarizes future accounting changes that will be relevant to the Program's financial statements subsequent to the current year. The impact of the new standards is being evaluated by the Program.

Capital Disclosures

The CICA has issued a new accounting standard that establishes requirements for capital disclosures, which will be effective for the Program commencing January 1, 2008 and requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what is considered capital and whether an entity has complied with any capital requirements and consequences of non-compliance with such capital requirements.



