

**CANADIAN THOROUGHBRED HORSE  
SOCIETY (ALBERTA DIVISION)**

**Financial Statements**

**Year Ended December 31, 2009**

**CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)**

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**Year Ended December 31, 2009**

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**BUCHANAN BARRY LLP**  
CHARTERED ACCOUNTANTS

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**AUDITORS' REPORT**

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To the Members of Canadian Thoroughbred Horse Society (Alberta Division)

We have audited the statement of financial position of Canadian Thoroughbred Horse Society (Alberta Division) (the "Society") as at December 31, 2009 and the statements of revenue and expenditures, changes in unrestricted net assets, changes in net assets invested in capital assets, changes in internally restricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the Society'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 Society as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS

Calgary, Alberta  
April 19, 2010

**CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)**

**Statement of Financial Position**

**December 31, 2009**

	2009	2008
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash, including replacement fund reserve (Note 4)	\$ 164,942	\$ 116,276
Restricted cash (Note 5)	83,163	193,333
Accounts receivable	7,128	16,740
Goods and services tax recoverable	810	2,237
Inventory	998	878
Prepaid expenses and deposits	11,132	7,209
	<b>268,173</b>	<b>336,673</b>
<b>CAPITAL ASSETS (Note 6)</b>	<b>597</b>	<b>2,059</b>
<b>INVESTMENTS AND ADVANCES (Note 7)</b>	<b>-</b>	<b>35,001</b>
<b>ARTWORK (Note 8)</b>	<b>6,366</b>	<b>6,366</b>
	<b>\$ 275,136</b>	<b>\$ 380,099</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 13,000	\$ 12,563
Externally restricted deferred contributions (Note 5)	83,163	193,333
Deferred income	380	1,052
	<b>96,543</b>	<b>206,948</b>
<b>NET ASSETS</b>		
<b>UNRESTRICTED</b>	<b>149,014</b>	<b>142,760</b>
<b>INVESTED IN CAPITAL ASSETS</b>	<b>597</b>	<b>2,059</b>
<b>INTERNALLY RESTRICTED (Note 4)</b>	<b>28,982</b>	<b>28,332</b>
	<b>178,593</b>	<b>173,151</b>
	<b>\$ 275,136</b>	<b>\$ 380,099</b>

**APPROVED ON BEHALF OF THE BOARD**

"Gordon Wilson" Director

"Adrian Munro" Director

**CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)**

**Statement of Revenue and Expenditures**

**Year Ended December 31, 2009**

	2009	2008
<b>REVENUE</b>		
Alberta Fall Classic	\$ 12,765	\$ 12,338
Horse Racing Alberta	200,000	200,000
Marketing support	9,380	8,008
Membership fees	21,163	24,835
Sales stakes	37,905	41,265
Sponsorships	31,843	33,251
Yearling Sale ( <i>Schedule 1</i> )	106,130	157,665
Fall Mixed Sale ( <i>Schedule 2</i> )	17,570	24,650
Other ( <i>Schedule 3</i> )	1,833	6,362
	<b>438,589</b>	<b>508,374</b>
<b>EXPENSES</b>		
Advertising and promotion	231	1,566
Alberta Breeders Conference	-	257
Alberta Fall Classic	12,835	12,413
Alberta breeders and stallion bonus (recovery)	(5,617)	5,617
Amortization	1,462	2,157
Automotive	1,841	6,016
Bank charges and interest	737	761
Dues, fees and memberships	294	2,380
Equipment rental	7,938	8,555
Fall Mixed Sale ( <i>Schedule 2</i> )	32,924	31,329
Insurance	3,833	3,203
Meetings	1,311	5,717
Office rental	36,314	23,384
Office supplies	5,320	7,634
Postage and courier	6,110	3,951
Professional fees, tax alliance and computer support	19,815	44,319
Publications	11,332	7,950
Registration - corrections (recovery)	(189)	(61)
Repairs and maintenance	1,164	973
Salaries and benefits	128,117	166,531
Sales stakes	30,000	30,000
Sponsorships	34,647	51,771
Telephone	3,932	6,695
Travel and conferences	6,309	4,696
Yearling Sale ( <i>Schedule 1</i> )	57,486	88,327
	<b>398,146</b>	<b>516,141</b>
<b>EARNINGS (LOSS) FROM OPERATIONS</b>	<b>40,443</b>	<b>(7,767)</b>
<b>OTHER LOSSES</b>		
Loss on writedown of investments and advances ( <i>Note 7</i> )	<b>(35,001)</b>	-
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>\$ 5,442</b>	<b>\$ (7,767)</b>

**CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)**

**Statement of Changes in Unrestricted Net Assets**

**Year Ended December 31, 2009**

	<u>2009</u>	<u>2008</u>
<b>UNRESTRICTED NET ASSETS - Beginning of year</b>	<b>\$ 142,760</b>	<b>\$ 149,628</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u><b>5,442</b></u>	<u><b>(7,767)</b></u>
	<b>148,202</b>	<b>141,861</b>
<b>AMORTIZATION TRANSFERRED TO NET ASSETS INVESTED IN CAPITAL ASSETS</b>	<b>1,462</b>	<b>2,157</b>
<b>INTEREST TRANSFERRED TO INTERNALLY RESTRICTED NET ASSETS</b>	<u><b>(650)</b></u>	<u><b>(1,258)</b></u>
<b>UNRESTRICTED NET ASSETS - End of year</b>	<u><b>\$ 149,014</b></u>	<u><b>\$ 142,760</b></u>

**CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)**

**Statement of Changes in Net Assets Invested in Capital Assets**

**Year Ended December 31, 2009**

	<b>2009</b>	<b>2008</b>
<b>INVESTED IN CAPITAL ASSETS - Beginning of year</b>	<b>\$ 2,059</b>	<b>\$ 4,216</b>
<b>AMORTIZATION</b>	<b>(1,462)</b>	<b>(2,157)</b>
<b>INVESTED IN CAPITAL ASSETS - End of year</b>	<b>\$ 597</b>	<b>\$ 2,059</b>

**CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)**

**Statement of Changes in Internally Restricted Net Assets**

**Year Ended December 31, 2009**

	<u>2009</u>	<u>2008</u>
<b>INTERNALLY RESTRICTED NET ASSETS - Beginning of year</b>	<b>\$ 28,332</b>	<b>\$ 27,074</b>
<b>INTEREST</b>	<u>650</u>	<u>1,258</u>
<b>INTERNALLY RESTRICTED NET ASSETS - End of year</b>	<u><b>\$ 28,982</b></u>	<u><b>\$ 28,332</b></u>

**CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)**

**Statement of Cash Flows**

**Year Ended December 31, 2009**

	<b>2009</b>	<b>2008</b>
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenditures	\$ 5,442	\$ (7,767)
Items not affecting cash:		
Amortization	1,462	2,157
Lease inducements write-off	-	(2,317)
Loss on write-off of investments and advances	<u>35,001</u>	<u>-</u>
	<u>41,905</u>	<u>(7,927)</u>
Changes in non-cash working capital:		
Accounts receivable	9,612	14,261
Goods and services tax recoverable	1,427	2,416
Inventory	(120)	201
Prepaid expenses and deposits	(3,923)	(3,266)
Accounts payable and accrued liabilities	437	(6,656)
Deferred income	<u>(672)</u>	<u>1,052</u>
	<u>6,761</u>	<u>8,008</u>
<b>INCREASE IN CASH</b>	<b>48,666</b>	<b>81</b>
<b>CASH - Beginning of year</b>	<u>116,276</u>	<u>116,195</u>
<b>CASH - End of year</b>	<u>\$ 164,942</u>	<u>\$ 116,276</u>

# CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)

## Notes to Financial Statements

Year Ended December 31, 2009

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### 1. PURPOSE OF THE ORGANIZATION

The Canadian Thoroughbred Horse Society (the "Society"), formed in 1953 provides support and assistance to the Thoroughbred breeding industry. In Alberta, the Society has helped promote the Alberta Bred Thoroughbreds by encouraging breeders to provide the best stock at the most realistic prices and to upgrade the qualities of their facilities and management. Likewise, the Society has helped to establish the credibility of Alberta Bred Thoroughbreds in the international marketplace.

Equally important, the Society actively works with governments and commissions, provides data and information services and educational opportunities for those involved in the thoroughbred industry. The Society's goal is to enhance the business and to ensure it has a viable future.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Society have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

#### **Cash and cash equivalents**

Cash consists of cash on hand and bank deposits. Highly liquid investments with maturities of three months or less at date of purchase are considered to be cash equivalents.

#### **Inventory**

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis. Cost is considered to be equal to the acquisition price of the inventory purchased.

#### **Deferred lease inducements**

Deferred lease inducements represent cash and non-cash benefits that the Society has received from landlords pursuant to the lease agreement. These lease inducements are amortized against rent expense over the term of the lease.

#### **Capital Assets**

Capital assets are recorded at cost. Amortization is provided for on the straight-line basis over three years.

#### **Income taxes**

The Society is a non-profit organization and is exempt from income taxes under Section 149(1)(l) of the Income Tax Act. Accordingly, no provision for income tax has been made in these financial statements.

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# CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)

## Notes to Financial Statements

Year Ended December 31, 2009

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Financial instruments**

The Society has designated its financial instruments as follows:

- (a) Cash and restricted cash are classified as "Held for Trading". Fair value is determined as cost plus accrued interest.
- (b) Investments and advances are classified as "Available for Sale". Available for sale financial assets are measured at fair value unless there is no active market for the instrument, in which case it is measured at cost. Unrealized gains and losses are included in the statement of changes in net assets as "unrealized gains and losses on available for sale financial assets" and accumulated as "cumulative net unrealized gains and losses on available for sale financial assets" on the statement of financial position until the instrument is sold, at which time the net gain or loss is included in revenue and expenses.
- (c) Accounts receivable are classified as "Loans and Receivables". These financial assets are recorded at values that approximate their amortized costs using the effective interest method. Transaction costs are expensed.
- (d) Accounts payable and accrued liabilities and externally restricted deferred contributions are classified as "Other Financial Liabilities". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method. Transaction costs are capitalized.

#### **Revenue recognition**

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### **Measurement uncertainty**

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates and assumptions include the estimated useful life of capital assets for amortization purposes, the net recoverable amount of accounts receivable and capital assets, and the estimate of fair values of financial instruments. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

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# CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)

## Notes to Financial Statements

Year Ended December 31, 2009

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### 3. CHANGES IN ACCOUNTING POLICIES

#### **(i) Financial Instruments - Presentation and Disclosure**

Effective January 1, 2009, the Society elected not to adopt the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") pertaining to Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation, as permitted by Section 3862.43C in relation to not-for-profit organizations. The Society has chosen to continue with its application of Section 3861, Financial Instruments - Presentation and Disclosure.

#### **(ii) Financial Statement Presentation by Not-For-Profit Organizations**

Effective January 1, 2009, the Society adopted the new recommendations of the CICA pertaining to Handbook Section 4400, Financial Statement Presentation by Not-For-Profit Organizations. This standard has been amended to remove the requirement to treat net assets invested in capital assets as a separate component of net assets and instead consider it optional. The amended section requires that all revenues and expenses be presented on a gross basis when an organization is acting as a principal in transactions. In additions, the amended standard requires that the statement of cash flows be prepared in accordance with Section 1540, Cash Flow Statements. The amendments to this standard have been adopted on a retrospective basis. There was no material impact on the Society's financial position or earnings.

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### 4. INTERNALLY RESTRICTED NET ASSETS

This consists of interest income generated from the Replacement Reserve Fund and interest from the Loss Replacement Reserve Guaranteed Investment Certificate. This fund can only be accessed with the Board of Directors consent.

Included in cash is \$28,982 (2008 - \$28,332) that is set aside as part of the Replacement Fund Reserve.

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**CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)**

**Notes to Financial Statements**

**Year Ended December 31, 2009**

5. RESTRICTED CASH & EXTERNALLY RESTRICTED DEFERRED CONTRIBUTIONS

The cash held in trust and trust liability relate to the following programs:

	2009	2008
Yearling program <i>(Note a)</i>	\$ 58,500	\$ 90,000
Unclaimed purse amounts <i>(Note b)</i>	24,663	98,333
Letters of credit <i>(Note c)</i>	-	5,000
	<b>\$ 83,163</b>	<b>\$ 193,333</b>

- (a) This money was allocated to the Society by Horse Racing Alberta ("HRA") as an incentive for buyers to purchase yearlings. If a yearling that was purchased in 2007 through the Society wins a race as a two year old or a three year old, then the Society will pay out \$1,500 to the owner of the horse. A winning horse can only claim this prize once. Any money that is not paid out by the end of 3 years will be returned to HRA. During the current year, \$31,500 was paid out relating to 2008. Subsequent to year end \$19,500 was paid out relating to 2009 with the remainder of \$39,000 being returned per the agreement to HRA.
- (b) Unclaimed purse amounts are winnings that are not paid out due to horses who are foaled in Alberta not placing among the top three finishers in the nine open stakes races listed in the Thoroughbred Breed Improvement Program. The funds that are not paid out must be returned to HRA upon request.
- (c) Letters of credit were issued to winners of certain races in 2007. The letters of credit were to be used by the winners to purchase a weanling or yearling at a 2008 CTHS Alberta Summer Yearling or Fall Mixed Sale. If the letters of credit were not used at one of the 2008 sales, they expired and the funds must be returned to HRA. As a result, the \$5,000 letter of credit was returned to the HRA during the current year.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Computer hardware and software	\$ 18,078	\$ 17,748	\$ 330	\$ 1,259
Furniture and fixtures	35,880	35,613	267	800
	<b>\$ 53,958</b>	<b>\$ 53,361</b>	<b>\$ 597</b>	<b>\$ 2,059</b>

# CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)

## Notes to Financial Statements

Year Ended December 31, 2009

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### 7. INVESTMENTS AND ADVANCES

The Society held shares in Calgary Racing and Entertainment Group ("CREG") and advanced funds in exchange for promissory notes, for a total of \$35,001. CREG's only asset was shares in United Horseman of Alberta ("UHA"). The investment and advances were made to support the bid for a contract to build a new racetrack in Balzac.

In September 2009, UHA entered CCAA protection and hence management deemed that the value of the investments and advances were impaired. As a result, the amount has been written down to \$Nil.

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### 8. ARTWORK

Artwork consists of assets for the benefit of the Society. These assets are not held for the purpose of resale.

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### 9. LEASE COMMITMENTS

The Society is committed to operating leases for its office premises and office equipment. The premises lease consists of base rent, operating costs, property taxes and parking and expires on December 31, 2013. The equipment lease expires in May 2012. The future minimum lease payments are as follows:

2010	\$	37,769
2011		39,880
2012		37,873
2013		<u>36,869</u>
	\$	<u>152,391</u>

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### 10. LETTER OF GUARANTEE

The Society has a letter of guarantee with the bank in the amount of \$40,000, as required by the Alberta Livestock Identification Services, in order to conduct horse sales.

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### 11. COMMITMENT FOR SALES STAKE RACE

The Society has committed \$30,000 (2008 - \$30,000) to the two and three year old Sales Stake races that will occur in 2010.

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## CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)

### Notes to Financial Statements

Year Ended December 31, 2009

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#### 12. FINANCIAL INSTRUMENTS

The Society's financial instruments included in the statement of financial position are comprised of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and externally restricted deferred contributions.

a) Fair values

The fair value of a financial instrument is the estimated amount that the Society would receive or pay to settle a financial asset or liability as at the reporting date. The fair values of the Society's financial instruments do not differ significantly from their carrying values.

b) Credit risk

Credit risk arises from the possibility that parties may default on their financial obligations owed to the Society. The Society's accounts receivable are due from a diverse group of customers and as such are subject to normal credit risks. The Society's credit risk exposure on cash and restricted cash is minimized substantially by ensuring that cash and restricted cash is held with credible financial institutions.

c) Interest rate risk

The Society is not exposed to significant interest rate risk.

d) Currency risk

The Society is not exposed to currency risk.

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#### 13. CAPITAL DISCLOSURES

The Board manages the capital of the Society for the benefit of its stakeholders. As such, careful consideration is given to the safeguard of the Society to continue as a going concern.

The capital structure of the Society is comprised of the following net assets:

*(i) Unrestricted Net Assets*

Unrestricted net assets are used to support the ongoing operations of the Society and are funded annually with grants, sales, membership fees, special events revenue and sponsorships. The Society uses interim financial statements to facilitate the management of this capital. The interim financial statements are reviewed by the Board on a regular basis.

*(ii) Internally Restricted Net Assets*

The use of internally restricted net assets is subject to the approval of the Board and is contingent on the financial position of the Society.

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#### 14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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**CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)**

**Yearling Sale**

*(Schedule 1)*

**Year Ended December 31, 2009**

	<b>2009</b>	<b>2008</b>
<b>REVENUE</b>		
Commissions	\$ 56,780	\$ 86,415
Entry fees	49,350	71,250
	<u>106,130</u>	<u>157,665</u>
<b>EXPENSES</b>		
Advertising and promotion	1,396	4,168
Auctioneers	12,517	18,681
Catalogue printing	17,808	24,689
Contract printing	556	1,803
Equipment rental	-	440
Facilities rental and security	17,131	22,576
Livestock Identification Services	711	706
Postage and courier	898	3,912
Result sheets	44	1,317
Sales staff	4,961	5,218
Stall cards	100	885
Straw	1,364	1,200
Veterinary services	-	2,732
	<u>57,486</u>	<u>88,327</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 48,644</u>	<u>\$ 69,338</u>

**CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)****Fall Mixed Sale****(Schedule 2)****Year Ended December 31, 2009**

	<b>2009</b>	<b>2008</b>
<b>REVENUE</b>		
Commissions	\$ 4,470	\$ 6,450
Entry fees	<u>13,100</u>	<u>18,200</u>
	<u>17,570</u>	<u>24,650</u>
<b>EXPENSES</b>		
Advertising and promotion	410	-
Auctioneers	1,954	2,869
Catalogue printing	12,215	13,667
Contract printing	544	107
Facilities rental and security	14,211	7,612
Livestock Identification Services	522	400
Postage and courier	1,095	2,152
Sales staff	1,417	3,322
Stall cards	56	-
Veterinary services	<u>500</u>	<u>1,200</u>
	<u>32,924</u>	<u>31,329</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	<u>\$ (15,354)</u>	<u>\$ (6,679)</u>

**CANADIAN THOROUGHBRED HORSE SOCIETY (ALBERTA DIVISION)**

**Other Income**

*(Schedule 3)*

**Year Ended December 31, 2009**

	<b>2009</b>	2008
<b>REVENUE</b>		
Interest	\$ 1,450	\$ 6,226
Mailouts	166	136
Other income	217	-
	<b>\$ 1,833</b>	<b>\$ 6,362</b>