

Standardbred Canada
(incorporated under the Animal Pedigree Act)

Financial Statements
October 31, 2007

February 2, 2008

Auditors' Report

**To the Members of
Standardbred Canada**

We have audited the balance sheet of **Standardbred Canada** as at October 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the association'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 association as at October 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.

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Standardbred Canada

Balance Sheet


As at October 31, 2007

	2007 \$	2006 \$.
Assets		
Current assets		
Cash and cash equivalents (note 3)	337,281	387,864
Investments (note 4)	2,019,340	1,854,301
Accounts receivable	611,344	605,344
Supplies and prepaid expenses	142,875	151,144
	<u>3,110,840</u>	<u>2,998,653</u>
Investments (note 4)	199,999	273,246
Property and equipment (note 5)	<u>2,178,150</u>	<u>2,227,162</u>
	<u>5,488,989</u>	<u>5,499,061</u>
Liabilities		
Current liabilities		
Bank loan (note 6)	150,000	175,000
Accounts payable and accrued liabilities	369,992	368,094
Canadian Breeders Championships and other stake events	431,758	441,335
Deferred revenue	168,592	156,274
Deferred membership revenue	627,192	635,891
	<u>1,747,534</u>	<u>1,776,594</u>
Canadian Breeders Championships and other stake events	<u>513,884</u>	<u>603,375</u>
	<u>2,261,418</u>	<u>2,379,969</u>
Net Assets		
Unrestricted	671,925	591,930
Invested in property and equipment	2,178,150	2,227,162
Unrealized gain related to fair value of liabilities	77,496	-
Internally restricted - reserve for computer replacement	<u>300,000</u>	<u>300,000</u>
	<u>3,227,571</u>	<u>3,119,092</u>
	<u>5,488,989</u>	<u>5,499,061</u>

Approved by the Board of Directors



Director



Director

Standardbred Canada

Statement of Operations

For the year ended October 31, 2007

	2007	2006
	\$	\$
Revenue		
Membership dues and licensing fees	1,162,716	1,182,443
Track fees	927,993	970,340
Membership services	1,529,287	1,591,207
Identification	487,948	478,698
Trot magazine	1,121,587	1,096,936
Horse auction sales	690,850	749,475
Pedigree and stake services	81,581	88,093
Computer services	757,946	618,392
Rent	64,656	56,148
Interest income	84,632	67,075
Miscellaneous income (note 7)	90,538	121,724
Marketing programs	70,498	-
Market value appreciation of investments - including interest	26,111	25,406
	<u>7,096,343</u>	<u>7,045,937</u>
Expenses		
General and administrative	1,556,263	1,523,954
Information technology	1,147,408	1,113,829
Member services	837,855	860,470
Field services	645,170	672,477
Identification	364,149	377,333
Horse auction sales	486,971	557,290
Trot magazine	854,172	751,358
Industry marketing	353,575	280,819
Sales and stakes	342,746	351,757
Travel and meetings	204,056	162,412
Occupancy costs	272,995	275,104
	<u>7,065,360</u>	<u>6,926,803</u>
Excess of revenue over expenses for the year	<u>30,983</u>	<u>119,134</u>

Standardbred Canada

Statement of Changes in Net Assets For the year ended October 31, 2007

	2007				2006	
	Unrestricted \$	Invested in property and equipment \$	Fair value adjustment \$	Internally restricted \$	Total \$	Total \$
Net assets - Beginning of year	591,930	2,227,162	-	300,000	3,119,092	2,999,958
Excess of revenue over expenses for the year	30,983	-	-	-	30,983	119,134
Unrealized gain related to fair value of liabilities	-	-	77,496	-	77,496	-
Net change in investment in property and equipment (note 5(b))	49,012	(49,012)	-	-	-	-
Net assets - End of year	671,925	2,178,150	77,496	300,000	3,227,571	3,119,092

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Statement of Cash Flows

For the year ended October 31, 2007

	2007	2006
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	30,983	119,134
Non-cash items		
Amortization	195,188	187,014
Market value appreciation of investments - including interest	(26,111)	(25,406)
Interest accretion on Canadian Breeders Championships and other stake events - net (note 7)	(6,242)	-
Unrealized gain related to fair value of liabilities	77,496	-
Changes in non-cash working capital balances related to operations		
Accounts receivable	(6,000)	79,065
Supplies and prepaid expenses	8,269	(13,736)
Accounts payable and accrued liabilities	1,898	(12,124)
Canadian Breeders Championships and other stake events	(92,826)	(36,377)
Deferred revenue	12,318	(99)
Deferred membership revenue	(8,699)	(11,853)
	<u>186,274</u>	<u>285,618</u>
Financing and investing activities		
Repayment of bank loan	(25,000)	(50,000)
Purchase of investments - net	(65,681)	(40,465)
Purchase of property and equipment	(146,176)	(139,082)
	<u>(236,857)</u>	<u>(229,547)</u>
Increase (decrease) in cash and cash equivalents during the year	(50,583)	56,071
Cash and cash equivalents - Beginning of year	<u>387,864</u>	<u>331,793</u>
Cash and cash equivalents - End of year	<u>337,281</u>	<u>387,864</u>

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Notes to Financial Statements

October 31, 2007

1 Purpose of the association

The association was incorporated under the Animal Pedigree Act to be the official registry and recordkeeping body and a national voice in the development, growth, marketing and promotion of the standardbred industry in Canada.

Standardbred Canada ensures the integrity and encourages the growth of the standardbred industry in Canada, for the benefit of the industry's participants and customers, by: (a) providing a national forum for consideration and resolution of issues; (b) operating a comprehensive database and recordkeeping system; (c) representing the industry nationally and internationally; and (d) developing marketing and promotion.

Its objectives are to record, collect, publish and preserve data and documents relating to the breeding, origin and racing of standardbred horses.

2 Summary of significant accounting policies

The most significant accounting policies followed by the association are as follows:

Use of 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 the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the reporting period. Actual results could differ from those estimates.

Revenue recognition

The association follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably assured. Contributions externally restricted are deferred and recognized as revenue in the year in which the related expenses are recognized.

Membership dues and licensing fees received for future years are recognized in the years to which they relate.

Horse auction sales represent commission and entry fees earned by the association on the sale of standardbred horses. The association is an agent for these sales and does not act as principal. In its role-as agent, the association collects proceeds from the sales and remits net proceeds to the consignor.

Financial instruments

On November 1, 2004, the association adopted the new recommendations of The Canadian Institute of Chartered Accountants (CICA) regarding the measurement and recognition of financial instruments.

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At year-end the investments held by the association have been recorded at quoted market values that represent fair value. The change in market value is recognized in the statement of operations in the year in which the change occurs.

All financial liabilities that are financial instruments have been reflected at fair market value. The Canadian Breeders Championships and other stake events liabilities have been classified as a financial instrument and have been discounted at the association's average rate of return of 4.2% to determine fair market value. Consequently, the change in fair value of the liabilities was included as a gain to the net assets. This resulted in a one-time, non-cash cumulative increase of \$77,496 to net assets.

The determination of the annual interest will be recognized primarily based on estimated future cash flows. The association expects to pay the full face value of the liabilities.

Property and equipment

Land is carried at cost.

Purchased property and equipment are recorded at cost, less accumulated amortization. Contributed property and equipment are recorded at fair value at the date of contribution, less accumulated amortization.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Building improvements	10 years
Computer equipment	3 years
Other equipment	3 to 10 years

Canadian Breeders Championships and other stake events

The balances with respect to Canadian Breeders Championships (CBC) and other stake events represent nomination and sustaining fees collected and held for distribution as purse monies. The purse funds, net of discounting, which are due for payment within a year, are classified as current liabilities, while those due for payment after one year are classified as long-term liabilities.

Deferred revenue

Deferred revenue relates to fees paid in advance of services provided. The revenue is recognized as the service is provided.

Insurance

Costs related to providing weekly indemnity and other insurance coverage to members are expensed when premiums are payable to the insurer.

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3 Cash and cash equivalents

Cash equivalents consist of treasury bills, guaranteed investment certificates and bonds with interest rates ranging from 2.85% to 3.94% and maturity dates within 90 days.

4 Investments

Investments comprise short-term and long-term investments.

Short-term investments consist of guaranteed investment certificates, treasury bills and government bonds, which bear interest at rates ranging from 3.81% to 4.60% and have maturities of less than 365 days.

Long-term investments consist of guaranteed investment certificates, which bear interest at rates ranging from 4.80% to 4.85% and have maturities of greater than one year.

5 Property and equipment

a) Property and equipment consist of the following:

	2007		2006	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	813,629	-	813,629	-
Building and building improvements	2,003,332	852,497	2,001,948	800,491
Computer equipment	1,412,808	1,304,480	2,750,943	2,666,200
Other equipment	1,003,446	898,088	973,047	845,714
	5,233,215	3,055,065	6,539,567	4,312,405
Less: Accumulated amortization	3,055,065		4,312,405	
Net book value	2,178,150		2,227,162	

b) The net change in investment in property and equipment is due to the following:

	2007 \$	2006 \$
Balance - Beginning of year	2,227,162	2,275,094
Purchase of property and equipment	146,176	139,082
Amortization	(195,188)	(187,014)
Net change in net assets invested in property and equipment	(49,012)	(47,932)
Net book value of property and equipment	2,178,150	2,227,162

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6 Bank loan

The association has a demand operating facility, which bears interest at the bank's prime lending rate, is unsecured and is repayable on demand.

7 Miscellaneous income

Included in miscellaneous income are the following balances that comprise the current year impact of discounting of the CBC and other stake events liabilities:

	\$
Discount to record present value of current year CBC liabilities	26,573
Interest expense representing accretion on CBC and other stake events liabilities	<u>(32,815)</u>
	<u>(6,242)</u>

8 Insurance

The association offers, through an underwriter, a mandatory insurance plan to provide coverage to its licensed members for injuries in horse-related accidents. The coverage includes reimbursement of up to \$3,000 per calendar year for medical and dental expenses in excess of provincial health plans, and disability benefits not exceeding \$220 per week for a maximum of two years.

As at October 31, 2007, the plan's assets, which are in the form of cash deposits with an insurance company, are in excess of liabilities under claims that have been submitted. These deposits are in amounts recommended by the insurance company and are provided to cover liabilities for accidents that have occurred but have not yet been reported at year-end. This insurance coverage is not included as an asset on the balance sheet of the association.

In addition, the plan includes accidental death and dismemberment coverage not to exceed \$60,000. The coverage is funded in such a way that there is no financial risk to the association and, therefore, is not included as an asset or liability.

9 Peel Condominium Corporation No. 467 (PCC)

PCC is a separate non-profit corporation responsible for the management and maintenance of the incumbent areas (such as the driveway and exterior landscaping) of the building, both of which units are owned by Standardbred Canada.

Throughout the year, Standardbred Canada was the sole director of PCC.

The financial statements of Standardbred Canada do not include the financial activities of PCC. Given Standardbred Canada was sole director of PCC, as prescribed by the by-laws of the corporation, Standardbred Canada is considered to have a measure of control over PCC.

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The financial summary of PCC as at October 31, 2007 and 2006 and for the years then ended is as follows:

	2007 \$ (Unaudited)	2006 \$ (Unaudited)
Financial position		
Cash and investments	45,376	41,911
Accounts receivable and prepaid expenses	1,487	2,690
	<u>46,863</u>	<u>44,601</u>
Accounts payable	<u>31,873</u>	8,588
Operating fund	9,577	9,930
Reserve fund for major repairs and replacements	5,413	26,083
	<u>14,990</u>	<u>36,013</u>
	<u>46,863</u>	<u>44,601</u>
Results of operations		
Fees and investment income	150,716	144,796
Expenditures	(151,069)	(144,949)
	<u>(353)</u>	<u>(153)</u>

During the year, Standardbred Canada paid \$150,000 (2006 - \$144,000) in condominium fees to PCC and received \$12,600 (2006 - \$12,000) with respect to management and administration fees.

10 Prior year's comparatives

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.