

Horse Racing Alberta 2014 Annual Report





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A photograph of a dark brown horse and its foal standing in a grassy field. The horse is on the right, and the foal is on the left, both facing left. They are standing in front of a white fence. In the background, there are green trees. The scene is reflected in a body of water in the foreground. The image is part of a presentation, with a teal header and a white footer containing the number 2.

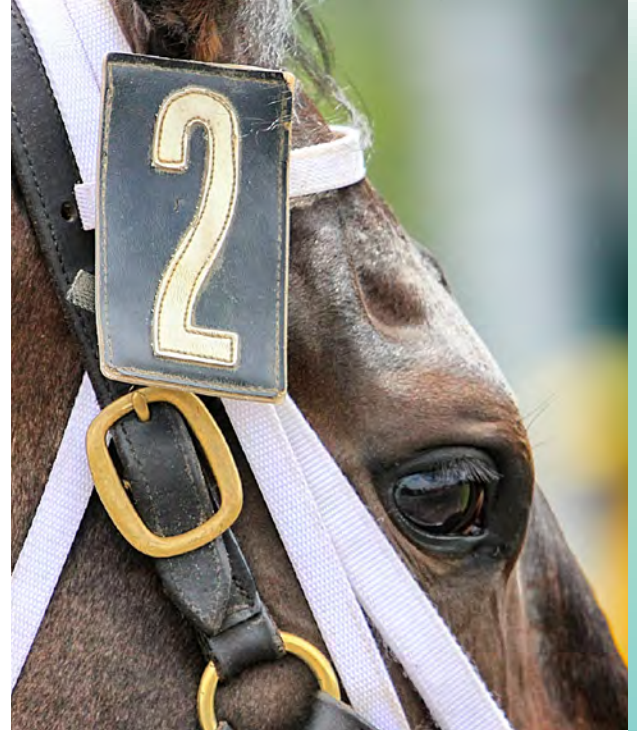
1. To govern, direct, control, regulate, manage, market and promote horse racing in any or all of its forms.
2. To protect the health, safety and welfare of racehorses and, with respect to horse racing, the safety and welfare of racing participants and racing officials.
3. To safeguard the interests of the general public in horse racing.

To be a governing body whose role is to promote and facilitate the growth, integrity and economic contribution of the Alberta horse racing and breeding industry. This shall be done by providing quality entertainment, employment, economic and value-added agricultural opportunities within a unified, viable, progressive, accountable and self-regulated industry environment.

To stabilize, enhance and ensure the growth and integrity of the Alberta horse racing and breeding industry.

Message from the Chairman and the CEO

Horse Racing Alberta, together with industry stakeholders and partners, has spent the last number of years finding ways to sustain the health of the industry in the face of declining revenues.



The revenue decline continued to be directly attributable to the loss of a "A" track in Calgary seven years ago. That will all change in 2015 with the opening of Century Downs Racetrack and Casino near Balzac, just two kilometres north of Calgary. The new 5.5 furlong track will host 90 standardbred race days its first year and add thoroughbreds and more race days in 2016. The Racing Entertainment Centre features 550 new slot machines.

This reality enables HRA to forecast revenue increases in future years and to plan for reinvestment in key areas like purses, breed improvement and marketing. Much of HRA's 2015-2017 business plan development was based on consultations with industry stakeholders and partners, particularly at a strategic session held in October.

This future view led the HRA Board, on recommendations from an external industry evaluation committee and HRA's Strategic and Sustainable Development Committee, to split Off Track Betting/Simulcast operations in Alberta between Northlands Park and Century Downs Racetrack and Casino, through its subsidiary company Century Bets!. The division was determined by area code. Northlands Park will operate all outlets in the 780 area code while the remainder of outlets in the province will be managed by Century Bets!.

The sense within the industry that the future is bright was reflected in 2014 yearling sales. The average sales price for thoroughbreds increased by 25% over last year while the standardbred average sales price increased nearly \$2,000. And despite a substantially reduced budget, HRA's marketing efforts netted positive returns, particularly a new Public Service Announcement launched in the fall and the live broadcast of the 2014 Canadian Derby.

In 2014, HRA officials participated in discussions with the province regarding Century Downs, legislative amendments to the Horse Racing Alberta Act, and a new funding agreement between industry and the province. The current agreement expires in April, 2016. Amendments to the Act were approved in 2014 and will result in the appointment of a new HRA Board in 2015, composed of six public and five industry members. Northlands announced a new President and Chief Executive Officer in September. HRA met with Tim Reid to discuss mutual interests regarding Northlands Park.



Recruiting backstretch workers has become a major challenge for the industry because of changes to Canada's foreign worker program. HRA was only successful in helping owners and trainers secure nine foreign workers for the 2015 racing season, a major drop from 2014. HRA continues to work with industry and federal officials to address this significant barrier.

The HRA Board welcomed two new industry members in 2014 — Erwin Haitzmann and Martin West — and expressed its thanks to departing public member Peter Bidlock. Mr. Bidlock made a very valuable contribution to the Board, particularly as chair of the Board's Sustainable Business Committee.

We thank all those who have worked so tirelessly in keeping horse racing alive and viable in Alberta. 2015 and beyond will be an exciting period for the Alberta horse racing industry that holds the promise of a new level of strength and vitality.

Rick LeLacheur
Chairman, HRA Board of Directors

Shirley McClellan
HRA Chief Executive Officer

Governance

Horse Racing Alberta is a not-for-profit corporation governed by individuals who represent various racetracks and breed organizations, the general public and two provincial government departments (these positions are non-voting members).

Directors provide a multifaceted and balanced approach to industry issues. They are responsible for ensuring decisions are made with the knowledge and awareness of industry benefits and impacts.

An annual industry dialogue session, research and analysis, realistic expectations and assumptions, and its mandated responsibilities under the Horse Racing Alberta Act help guide a three year business plan approved by the Board each year.

Two new Directors joined the Board in 2014. Erwin Haitzmann, a member of the Century Downs organizing group, replaced Dr. David Chalack as one of two "A" Circuit representatives. Martin West, a Camrose lawyer, farmer and racehorse owner, replaced Howard Dixon representing Other Breeds.

After six years, public member Peter Bidlock, left the Board at the end of September. Mr. Bidlock's business experience made a significant contribution to the Board, particularly as chair of HRA's former Sustainable Business Committee.

2014 BOARD OF DIRECTORS

(as at December 31, 2014)

Rick LeLacheur	Chairman
Bob Giffin	Horsemen's Benevolent and Protective Association representative (Horsemen)
Norm Kennedy	Alberta Standardbred Horse Association representative (Horsemen)
Jim Rhodes	Alberta Standardbred Horse Association representative (Breeders)
Brian Alexander	Canadian Thoroughbred Horse Society representative (Breeders)
Chris Roberts	"A" Circuit representative
Erwin Haitzmann	"A" Circuit representative (as of February, 2014) Chairman of the Board and Co-CEO Century Casinos Inc.
Max Gibb	"B" Circuit representative
Martin West	Other Breeds representative (as of July, 2014)
Peter Bidlock	Public representative (to September 30, 2014)
Dale Leschiutta	Public representative
John Brennan	Public representative
Gill Hermanns	Treasury Board and Finance representative (non-voting)
Jamie Curran	Alberta Agriculture and Rural Development representative (non-voting)
Shirley McClellan	Chief Executive Officer (non-voting)

2014 HRA COMMITTEE CHAIRS

Brian Alexander	Governance and Compensation Committee
Bob Giffin	Breed Improvement Committee
John Brennan	Audit and Finance Committee
Dale Leschiutta	Strategic and Sustainable Development Committee
Jim Rhodes	Regulatory and Licensing Committee

In 2015, amendments to the Horse Racing Alberta Act will result in the appointment of a new Board composed of six public members and five industry members.





Operations



A deficit in 2013 and forecast declines in slots and handle revenue for 2014 resulted in the HRA Board reducing 2014 expenses in all categories except racetrack grants and backstretch human resource development.

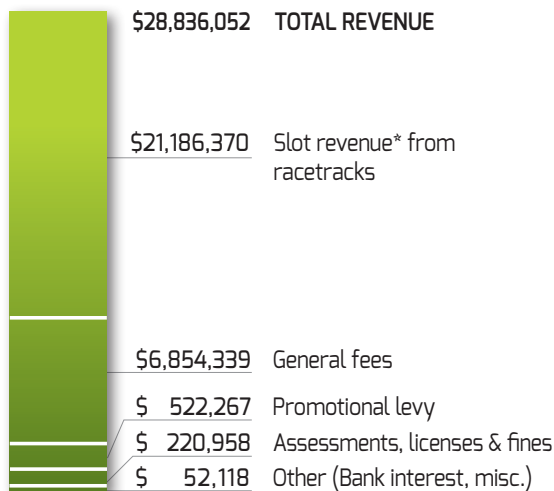
The increase to backstretch human resource development was done to ensure 2013 service levels could be maintained. Cost reductions came primarily at the expense of purse grants and marketing. In total, expenses in 2014 were \$2M less than in 2013.

Revenue to HRA did not decline as much as anticipated but was still \$242,000 less than in 2013. The handle declined by \$1.3M but slot revenue held relatively steady, declining by less than 1% in 2014. This was good news following a steep decline in 2013.

In 2015, revenues are expected to improve significantly with the opening of Century Downs in Balzac. The increased handle that will come from 90 days of scheduled standardbred racing at the new facility in its first year should enable HRA to reinvest in all program areas.

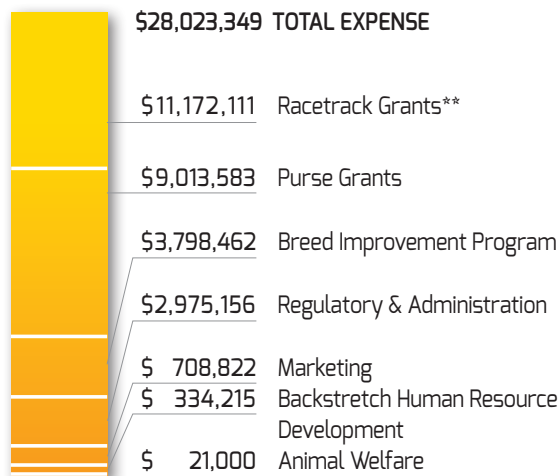
In addition to more total race days in Alberta, additional revenue sources are being studied by HRA including new wagering products appropriate for racing.

Where the Money Came From: 2014



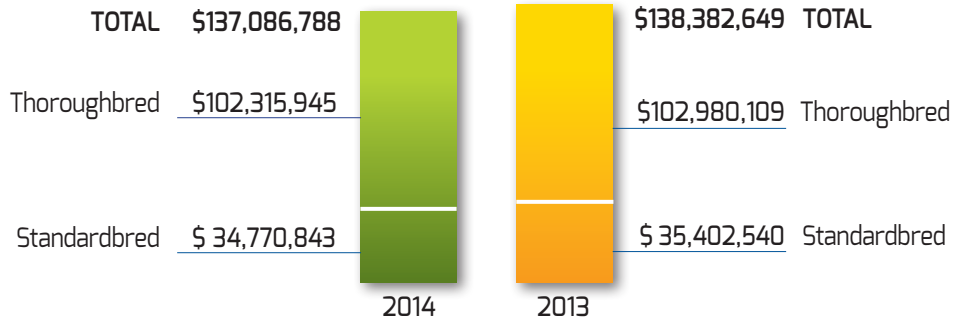
* Represents 51.66% of total slot revenue.

Where the Money Went: 2014

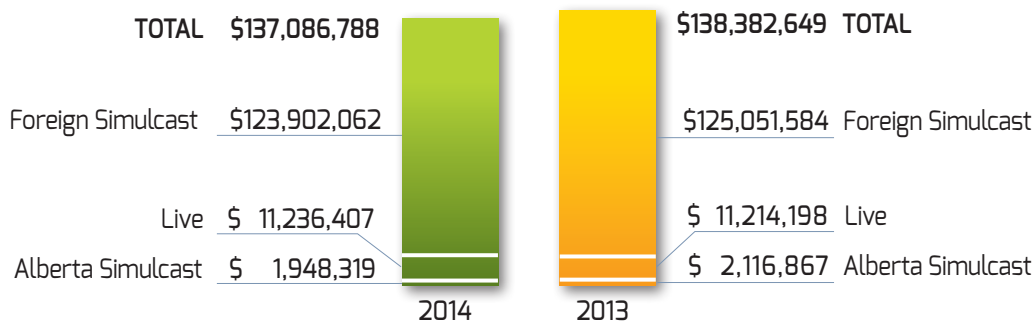


** Racetrack grants are comprised of a percentage of Racing Entertainment Centres revenue, pari-mutuel handle and additional industry support.

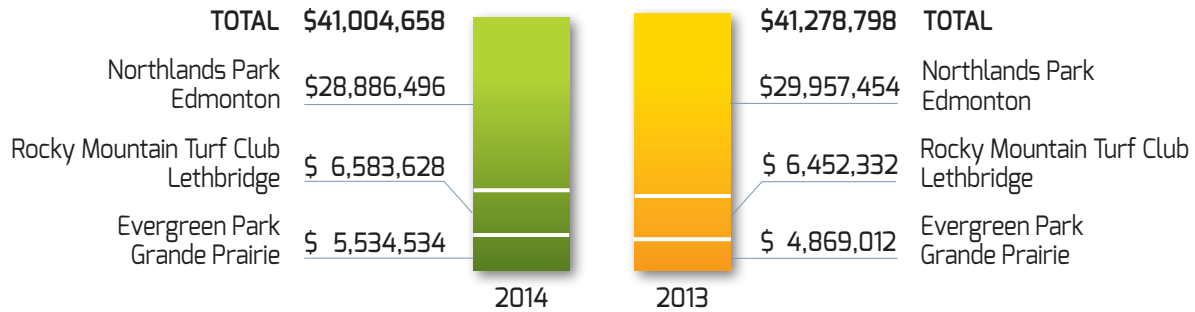
Handle (by breed)



Handle (by type)

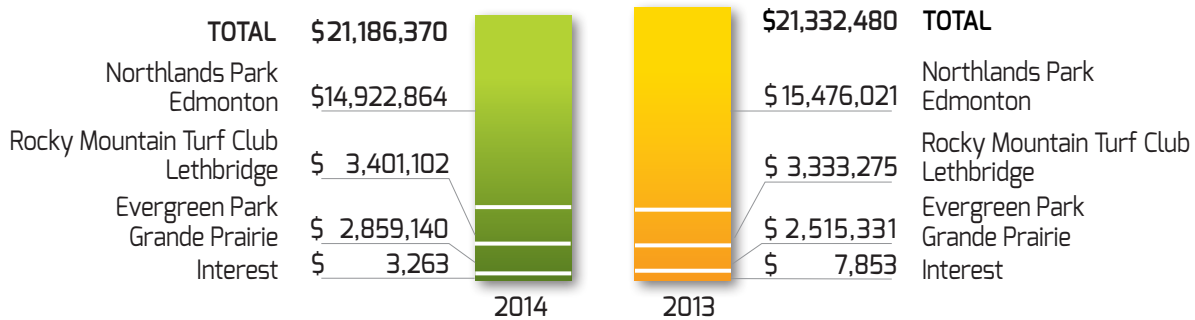


Slot Revenue: From Racing Entertainment Centres



Under a Government of Alberta agreement called the Racing Industry Renewal Initiative HRA receives 51.66% of all slot revenue. In 2014, this amounted to \$21.19M. The Alberta Lottery Fund took in \$13.67M (33.33%) while Racing Entertainment Centre operators retained 15% or \$6.15M.

Slot Revenue: HRA's Portion



Regulatory and Appeals

The quasi-judicial, impartial and objective Appeals Tribunal exists to hear appeals of decisions made by a track judge or steward.

Its authority is entrenched in the Horse Racing Alberta Act and its members are appointed by Alberta Treasury Board and Finance. 2014 Appeals Tribunal members were Dr. Maggie Fulford (Chair), Gordon Graydon and Kelly Budge.

Despite 17 fewer race days than in 2013, judges and stewards made 253 rulings in 2014, up 5% from the year before. Total average rulings per day were just slightly more than one per day.

In total, 15 of 240 planned race days were cancelled in 2014. To make them up, most of the cancelled races were added to race days that did take place.

Summary of 2014 Rulings

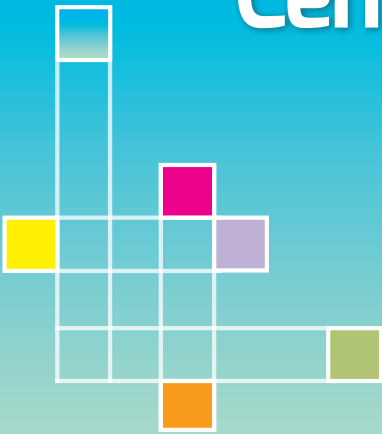
	Rulings	Race Day	Average Per Day
Thoroughbred Stewards	88	78	1.13
Standardbred Judges	86	100	.86
Community Circuit Judges and Stewards	79	67	1.18
TOTAL	253	245	1.03

Summary of Appeals Heard in 2014

Thoroughbred			
Date	Ruling	Decision	Outcome
May 24	10	Positive drug test	Appeal denied
June 4	20	Fine	Appeal denied
July 29	None	Outcome of race	Appeal denied
	44	30 day suspension and \$2,000 fine	Appeal withdrawn
September 10	64	Two day riding suspension	Appeal withdrawn
October 17	71	Fine	Appeal hearing postponed
November 25	88	180 day suspension and \$4,000 fine	Appeal denied
Standardbred			
Date	Ruling	Decision	Outcome
May 19	19	\$4,000 fine	Appeal withdrawn
July 22	None	Outcome of race	Appeal abandoned
August 18	None	Outcome of race	Appeal denied
November 15	81	6 month suspension and \$4,000 fine	Appeal hearing postponed
Community Circuit			
Date	Ruling	Decision	Outcome
June 1	8	30 days suspension and \$1,000 fine	Appeal amended
June 29	23	Purse money returned	Appeal stayed
June 30	24	Purse money returned	Appeal stayed
July 7	None	Claimed horse to leave Alberta	Appeal denied
	None	Claimed horse to leave Alberta	Appeal denied
September 7	61	\$300 fine	Appeal denied

Century Downs

It's been a long, often difficult ride but the return of horse racing to Calgary will become a reality in 2015.



Veteran and former Stampede Park announcer Murray Slough is scheduled to call the first day of racing at Century Downs. A large crowd is expected to attend and General Manager Paul Ryneveld is confident attendance will remain strong through the 90 days of standardbred racing planned for the rest of the year.

Part of his confidence stems from the fact Century Downs fills a major void for thousands of Calgary horse racing fans left wanting by the closure of Stampede Park in 2008. The other is the facility itself, which Ryneveld considers to be more intimate and inviting than traditional racing venues.

"We've built this building so that 1,000 people will make it very busy." He explained that a right sized facility that integrates all elements of the entertainment complex was done intentionally. He believes customers prefer to be part of a busy, exciting environment than a space that feels cavernous. For now, tents will be used to deal with major events and spectator overflow but the 38,000 square foot Racing Entertainment Centre has been constructed to allow for expansion.



The 52-acre site is located just east of CrossIron Mills, a major outdoor shopping complex two kilometres north of Calgary. It includes a 5.5 furlong track, a 550-slot and video gaming casino, off-track betting, a restaurant and lounge, parking for 900 vehicles and horse barns. Barn capacity will climb from 200 to 300 horses by the end of 2015 and reach full capacity of 500 stalls in the fall of 2016.

By any standards, the dream that has become the \$24M Century Downs has been a journey of perseverance and dogged commitment. An odyssey begun nearly a decade ago by the United Horsemen of Alberta ran into a number of roadblocks and delays before partnering five years ago with Century Casinos, an international casino company. This provided much needed cash and expertise that swept away most obstructions and led to a construction start in the spring of 2014.

The advent of another major racetrack in Alberta is a jolt in the arm for the province's horse racing community. Not only are revenues and purses expected to rise substantially, but a return to racing in the Calgary market has injected new life and optimism amongst breeders and owners.

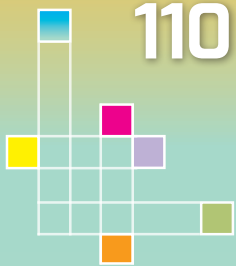
"I know many local people got out of the industry when Stampede Park closed because they couldn't watch their horses race. It will take a couple of years to see the upwards spiral but we've already had an indicator in the increase in standardbred sales this year," noted Ryneveld.

But Ryneveld shies away from any suggestion he or the backers of Century Downs are saviours. Instead, he gives much of the credit to provincial regulators and Horse Racing Alberta.

"Racing in Alberta is set up differently than in any other province. The province has made it possible to have a much more viable enterprise here." He pointed to grandfathered licencing for a Calgary track, and horse racing regulations as factors in enabling the sport to succeed here where other provinces have "pulled the rug from under horse racing."

Ryneveld is no stranger to the industry, having worked at horse racing facilities in both the US and Canada for many years. He was the Director of Racing with Hastings Racecourse in British Columbia before joining Century Casinos. He recognizes the industry in Alberta has suffered through some lean years. "I think it's a credit to Horse Racing Alberta for hanging on until we came on stream. The leadership at HRA is in part why we are here today."

Century Downs will be adding thoroughbreds to its fall racing calendar in 2016. Future plans also call for hosting outdoor concerts and adding a hotel in 2017.



110 Years of Millarville Races

If you want to find the grassroots live blood of the horse racing industry in Alberta, there is no better place to be than in Millarville on July 1. 2014 drew one of the largest crowds ever, an estimated 5,000 people, to watch thoroughbred and stock races.

Since the birth of the province, the hamlet located 35 kilometres southwest of Calgary has hosted a one day race meet. From every measure, the Millarville Races story is a story of success that has not been dampened by economics, politics or generational change. The handle jumped \$60,000 in 2013 to more than \$94,000 in 2014. Horsemen and women look forward to participating, hundreds of people step forward to volunteer their time, and thousands of fans come out to take part in the excitement. These factors illustrate the appeal of horse racing in rural Alberta remains strong and that small racetracks can do

well with the right combination of commitment, promotion, and good planning and management.

2015 will mark the 110th running of the Millarville Races. On tap are races you normally would not find in the same place. In addition to thoroughbreds with pari-mutuel betting, stock horse, ladies side saddle, and pack horse races are planned. And to make sure no one is bored, a musical ride, farmers' market, children's activities, and a beer garden with live music rounds out the day.

The Millarville Races began innocently enough when three local ranchers decided the best way to settle arguments over who had the better horseflesh would be to hold a race. They did that on June 3, 1905. Two years later a county fair was added. Eventually a rodeo, farmers' market, Christmas market, half marathon, horse clinics and clubs, and other ventures were developed under the auspices of the Millarville Racing and Agricultural Society. Today, the Society, with a membership of about 100, hosts more than 100,000 people annually at its events and facilities.



Industry and Government Relations

Amendments to the Horse Racing Alberta Act in 2014 will result in a new Board structure composed of six public members and five industry members. One of the public members is to be appointed Chair. The new structure and appointments are to be in place in 2015.

HRA initiated discussions with the Government of Alberta regarding a new Memorandum of Understanding (MOU) between industry and the province. The current agreement with the province expires in 2016.

It was anticipated that Century Downs would be operational and feature a short season of racing towards the end of 2014. This did not occur, resulting in some of HRA's budget projections to be revised and industry development plans to be put on hold.

A consultation session in October in Airdrie was held with industry partners. Participants emphasized the importance of opening Century Downs for industry stability and growth.

They also called for increased investment in key areas like breed improvement and track improvements to stimulate the industry. Race days, purses, appeal processes and the Simulcast/OTB wagering model were also discussed. This input was used by the HRA Board in formulating its 2015-2017 business plan.

A lengthy review by an external industry evaluation committee and HRA's Strategic and Sustainable Development Committee led to a decision to have a split model for Off Track Betting/Simulcast operations in Alberta. Northlands Park was awarded all OTB outlets north of Red Deer, while Century Bets! will operate all outlets south of Red Deer including Red Deer.

The awards followed Expression of Interest and Request for Proposal phases. These were reviewed by the external and internal committees, which in turn made recommendations to the HRA Board for final review and approval.

Alberta Purses

	HRA Grant		Breed Improvement Program*		Total Purses (provided by HRA)	
	2014	2013	2014	2013	2014	2013
Thoroughbred	3,888,117	4,769,317	1,863,520	1,959,000	5,751,637	6,728,317
Standardbred	2,720,142	3,386,333	997,542	1,032,776	3,717,684	4,419,109
Community Circuit	2,405,324	2,561,477	383,310	369,750	2,788,634	2,931,227
Totals	\$9,013,583	\$10,717,127	\$3,244,372	\$3,361,526	\$12,257,955	\$14,078,653

* Estimated money available from the 2014 Breed Improvement Program. Total program investment was \$3,798,462.



Marketing



Horse Racing Alberta's marketing emphasis in 2014 was to hold the line on costs and implement strategies to support the entry of Century Downs into the market mix. The much anticipated new racing entertainment facility near Calgary is slated to open in April of 2015.

The marketing budget was reduced by one-third. The Track Marketing Coop Partnership was also cancelled due to financial constraints.

Marketing efforts still concentrated though on exposing horse racing to a wide spectrum of people throughout Alberta. The Public Service Announcement (PSA) campaign continued to educate Albertans in understanding the contributions and economic impact that the horse racing and breeding industry contributes across the province. More airtime was purchased in the Calgary market to help build anticipation and excitement for the return of horse racing to the area in 2015.

In the fall of 2014, HRA launched a new 60 second PSA across Alberta, "There's A Horse for Everyone." It received attention nationwide and was named one of two finalists for Standardbred Canada's Prestigious O'Brien Awards in the Broadcast

category. The PSA also was named a finalist in the Alberta Film and Television Association's 2015 Rosie Awards in the Best Public Service category.

The 2014 Canadian Derby was broadcast again live on CTV Alberta. The show received a favorable viewer audience across Alberta. For the twelfth year in a row the production was named a finalist by the Jockey Club of Canada's Sovereign Award for best broadcast in Canadian thoroughbred racing. It also received a Rosie Award nomination in the Best Live Sports Production category. At the New York Festival's World Best TV and Films Awards, HRA was named a finalist in the Sports Show Opening category for the Canadian Derby opening.

HRA's website continued to deliver to racing fans and industry stakeholders racing information, regulatory activities, HRA Board and Committee information, key industry documentation, and regional racing reports.

In 2014, HRA participated and sponsored various initiatives with traditional and non-traditional partners. Sponsorships included the Canadian Finals and the Innisfail Rodeo, The Tim Horton's International Children's Festival, the Whitemud Equine Learning Centre, and Caritas Hospital Foundation.

Human Resource Development and Welfare

Investment in backstretch programs went up 9% in 2014 to improve supports and quality of life for grooms, exercise riders, jockeys and others.

The Learning Centre located on the backstretch at Northlands Park continues to be a popular spot for backstretch personnel, with a total of 1,583 visits in 2014. The Learning Centre offers help with a myriad of needs like faxing, photocopying, Internet access, assistance in computer literacy, English as a Second Language training, General Equivalency Diploma tutoring, and many other services.

HRA's sponsorship of the Exercise Rider, Jockey and Groom School at Olds College continues to be very successful. In 2014, 12 people graduated from the Exercise Rider program and seven from the Groom program. One of the graduates, Sheena Ryan, was nominated for a 2014 Sovereign Award as outstanding apprentice jockey.

In addition to HRA program support, the HRA Backstretch Foundation provides a variety of services to those in need to improve backstretch quality of life. These include benevolence to the sick and injured, counseling to those who suffer from substance abuse, memorial services to those who have lost a loved one, and social events to build a sense of community.

Major changes to Canada's foreign worker program severely handicapped HRA's ability to help trainers and owners recruit and retain much needed backstretch workers from other countries. Application fees of \$1,000 per person and stringent acceptance conditions resulted in securing only nine foreign workers for the 2015 racing season. This is a major drop from 2014. This situation has created major challenges for all employers in the horse racing industry.



Animal Welfare

Regular testing of horses prior to or immediately after a race is part of the standards HRA employs to ensure horse racing is a level playing ground and horse health is protected. Fewer race days resulted in 146 fewer tests being conducted in 2014 when compared to 2013.

Of the 3,593 medication tests done, only 0.56% tested positive. All of the TCO2 tests were negative. Half of the positives discovered Ractopamine in the blood stream, a food additive that increases protein synthesis and results in increased muscle fibre.

Breed improvement continues to be a focus for HRA. In addition to total purse money won by Alberta-bred horses, yearling sales are a good indication of breed quality and value. The average sale price for thoroughbreds increased by 25% over last year while the standardbred average sale price increased nearly \$2,000 to \$11,970. Going against this trend was quarter horse sales, with the average sale price down 35% compared to 2013.

Animal Testing - 2014

	Medication		TCO2	
	Tests	Positives	Tests	Positives
Thoroughbred	1,229	4	567	0
Standardbred	1,645	5	242	0
Community Circuit	719	11	93	0
Total	3,593	20	902	0

BREEDING

Average Yearling Sale Prices

	2014	2013	2012
Thoroughbred	\$ 11,117	\$ 8,342	\$8,560
Standardbred	\$11,970	\$10,027	\$4,807
Quarter Horse	\$ 2,366	\$ 3,636	\$3,205

Breed Improvement Program Investments

	2014	2013	2012
Thoroughbred	\$ 2,170,720	\$2,273,990	\$ 2,271,739
Standardbred	\$ 1,182,542	\$1,258,776	\$1,247,052
Quarter Horse	\$ 445,200	\$440,000	\$ 440,000
Total	\$3,798,462	\$3,972,766	\$3,958,791



2014 Award Winners

Sovereign Award

Outstanding Apprentice Jockey

Sheena Ryan, a graduate of the Olds College Exercise Rider & Groom School, won the 2014 Sovereign Award for Outstanding Apprentice Jockey. The Exercise Rider & Groom School is sponsored by Horse Racing Alberta.



Alberta Standardbred Association

Award Category	Winner	Owner
Two-Year-Old Alberta Stakes Filly	My Villas on Fire	Diane Bertand/Robert Gilhespy
Two-Year-Old Filly	True Rock	Blair & Erna Corbeil/Kelly Hoerd
Two-Year-Old Alberta Stakes Colt/Gelding	Cool Cowboy	Kelly Hoerd/ Blair Corbeil-Witend Consulting
Two-Year-Old Colt/Gelding	Cool Cowboy	Kelly Hoerd/ Blair Corbeil-Witend Consulting
Three-Year-Old Alberta Stakes Filly	Nighttraintovegas	Dick Schneider/David Halmosi
Three-Year-Old Filly	Rummys Command	Keith Clark/Robert Jones
Three-Year-Old Alberta Stakes Colt/Gelding	Blue Eyed Cowboy	Rodney Starkewski
Three-Year-Old Colt/Gelding	Outlaw Gunpowder	Kelly Hoerd/Blair Corbeil
Aged Horse	Who Doesnt	Travis, Jeanne, Kenneth, and Jodie Cullen
Aged Mare	Feelin Flush	Travis Cullen/Ken Hanson
Claimer under 10,000 (Fillies/Mares)	Overnight Success	Dwayne Taylor
Claimer 10,000 and over (Colts/Geldings)	Raging Fingers	Travis Cullen/Keith Hannah
Claimer under 10,000 (Colts/Geldings)	Hilldrop Shady	Kelly Hoerd/ Blair Corbeil/Dale Fellows
Fastest Girl	Emmasphere	Trevor Williams
	Feelin Flush	Travis Cullen/Ken Hanson
Fastest Boy	Who Doesnt	Travis, Jeanne, Kenneth, and Jodie Cullen
Horse of the Year	Who Doesnt	Travis, Jeanne, Kenneth, and Jodie Cullen
Horseperson of the Year	Travis Cullen	
Groom of the Year	Amy Henry	
Trainer of the Year	Travis Cullen	
Trainer of the Year under 200 Starts	Marjorie Dumont	
Driver of the Year	Travis Cullen	
Owner of the Year	Kelly Hoerd/ Blair Corbeil	
Breeder of the Year	Meridian Farms-Bill Andrew	
Breeders Recognition Award	Allan Neurauter	
Ron McCleod Award	Colleen Haining	

Canadian Thoroughbred Horse Society - Alberta Awards

Category	Winner
Champion Claimer	Time for a Memory
Champion Sprinter	Tiny Giant
Champion Two Year Old Filly	Eustacia
Champion Two Year Old Colt	Capitalism
Champion Three Year Old Filly	Via Bendita
Champion Three Year Old Colt	Edison
Champion Older Mare	Tempered Sapphire
Champion Older Horse	Commander
Horse of the Year	Edison
Leading Jockey	Rico W. Walcott
Leading Breeder	Bar None Ranches Ltd.
Leading Trainer	Greg Tracy
Champion Alberta-Bred	Tiny Giant
Horse Person of the Year	
Leading Owners	Derby Quest Farms Ltd.
	Shot in the Dark Racing Corp.

2014 Award Winners

Alberta Community Thoroughbred Racing Association

Category	Winner
3 Year Old Alberta Bred Filly	Star Catcher
3 Year Old Alberta Bred Male	Blazing Temper
Alberta Bred Older Female	Smile Lee
Alberta Bred Older Male	He's Italian
Alberta Bred Aged Mare	Sizzano
Alberta Bred Claiming Female	Star Catcher
Alberta Bred Aged Male	Hawkers Gate
Alberta Bred Claiming Male	Hawkers Gate
Alberta Bred Champion Male	Saint Warlock
Alberta Bred Champion Female	Smile Lee
Alberta Breeder	Bar None Ranches
ACTRA Claiming Female	Hey Italian Lady
ACTRA Claiming Male	General Gabe
ACTRA Sprint Female	Smile Lee
ACTRA Sprint Male	Careless Hunter
ACTRA Older Female	Button Em Up
ACTRA Older Male	Hawkers Gate
ACTRA Distance Horse	Regroup
High Point Female	Smile Lee
High Point Male	Careless Hunter
RMTC Spring Meet Leading Trainer	Lyle Magnuson
RMTC Fall Meet Leading Trainer	Lyle Magnuson
Grande Prairie Leading Trainer	Lyle Magnuson
Most Supportive Trainer	Lyle Magnuson
Trainer of the Year	Lyle Magnuson
Jockey of the Year	Larris Allen
ACTRA Champion Horse of the Year	Careless Hunter

Alberta Quarter Horse Racing Association

Category	Horse	Owner/Person
Champion Two Year Old	Cruisinfourabruisin	Barry & Janice Sather
Reserve Champion	Pros Rockstar	B. Bird, L. Ferguson & S. Nicklom
Champion Three Year Old	Zoomin Daphne	Bruce Ironshirt
Reserve Champion	Invisible Wagon	R. Danard, S. Jeffrey & G. Wills
Champion Aged	Tiny Flying Corona	Charles Stojan
Reserve Champion	Im Hott Ur Nott	Ralph Danard
Grand Champion Running Horse	Cruisinfourabruisin	Barry & Janice Sather
Champion Alberta Bred Two Year Old - Colt/Gelding	Cruisinfourabruisin	Barry & Janice Sather
Champion Alberta Bred Two Year Old - Filly	Spin Time	Keri Schweer
Champion Alberta Bred Three Year Old - Colt/Gelding	Keepin Good Karma	Barry & Janice Sather
Champion Alberta Bred Three Year Old - Filly	Bugs Lil Magic	R. Danard, S. Jeffrey & G. Wills
Champion Alberta Bred Aged - Colt/Gelding	Northforkzoom	Wills K. Glenn
Champion Alberta Bred Aged - Filly	Tres Seis Smooches	Carter Angelle
Champion Alberta Bred	Cruisinfourabruisin	Barry & Janice Sather
Reserve Champion	Pros Rockstar	B. Bird, L. Ferguson & S. Nicklom
Champion Trainer	Laurie Ferguson	
Champion Percentage Trainer	Dean Frey	
Champion Jockey	Ramiro Castillo	
Champion Sire	First Timber	Wesley Oulton
Champion Owner	Janis Calton	
Champion Breeder	Shady Lane Stables	
Champion Distance Horse	Glittering Blue	Regetti Farms Ltd.
Champion Claiming Horse	Sepratarat	Laurie Ferguson



Horse Racing Alberta **Financial Statements**

Year ended December 31, 2014



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Members of Horse Racing Alberta

We have audited the accompanying financial statements of Horse Racing Alberta, which comprise the statement of financial position as at December 31, 2014, the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising 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 accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility

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 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 our 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, we consider 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.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Horse Racing Alberta as at December 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants
April 24, 2015
Edmonton, Canada

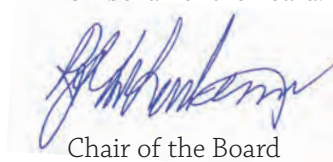
Statement of Financial Position

December 31, 2014, with comparative information for 2013

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash	\$ 176,214	\$ 561,479
Accounts receivable (note 2)	753,501	1,536,964
Receivable from the Province of Alberta (note 3)	1,624,860	1,450,656
Prepaid expenses	42,887	53,614
Current portion of loans receivable (note 4)	123,838	114,665
	2,721,300	3,717,378
Loans receivable (note 4)	203,189	327,027
Capital assets (note 5)	11,474	14,299
	\$ 2,935,963	\$ 4,058,704
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 687,123	\$ 1,013,300
Racetrack grants payable	1,744,187	3,353,454
	2,431,310	4,366,754
Net assets (deficiency)		
Invested in capital assets	11,474	14,299
Unrestricted	493,179	(322,349)
	504,653	(308,050)
Commitments (note 9)		
	\$ 2,935,963	\$ 4,058,704

See accompanying notes to financial statements.

On behalf of the Board:



Chair of the Board



Chair of the Audit and Finance Committee

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget (Unaudited)	2014 Actual	2013 Actual
Revenues			
General fees	\$ 7,299,790	\$ 7,376,606	\$ 7,445,041
Racing Industry Renewal Initiative revenues (note 3)	20,309,440	21,186,370	21,332,480
Other racing revenues	240,900	220,958	240,907
Interest	45,000	35,346	45,012
Other revenues	15,000	16,772	14,520
	27,910,130	28,836,052	29,077,960
Expenditures			
Purse Support Grants			
Thoroughbred	3,788,117	3,888,117	4,769,317
Standardbred	2,720,142	2,720,142	3,386,333
Community	2,409,307	2,405,324	2,561,477
	8,917,566	9,013,583	10,717,127
Breed Improvement Program			
Thoroughbred	2,170,220	2,170,720	2,273,990
Standardbred	1,184,580	1,182,542	1,258,776
Community	445,200	445,200	440,000
	3,800,000	3,798,462	3,972,766
Racetrack grants, Schedule 1	10,591,826	11,172,111	10,877,970
Marketing and Promotion, Schedule 2	790,000	708,822	1,091,353
Regulatory and Administration, Schedule 3	3,033,825	2,975,156	3,061,023
Backstretch human resource development	323,000	334,215	306,884
Animal welfare	21,000	21,000	21,000
	14,759,651	15,211,304	15,358,230
	27,477,217	28,023,349	30,048,123
Excess (deficiency) of revenues over expenditures	\$ 432,913	\$ 812,703	\$ (970,163)

See accompanying notes to financial statements.

Statement of Changes in Net Assets (Deficiency)

Year ended December 31, 2014, with comparative information for 2013

	Invested in capital assets	Unrestricted	Total 2014
Balance, beginning of year	\$ 14,299	\$ (322,349)	\$ (308,050)
Deficiency of revenues over expenditures	(3,735)	816,438	812,703
Investment of capital assets	910	(910)	-
Balance, end of year	\$11,474	\$ 493,179	\$ 504,653

	Invested in capital assets	Unrestricted	Total 2013
Balance, beginning of year	\$ 19,702	\$ 642,411	\$ 662,113
Deficiency of revenues over expenditures	(7,728)	(962,435)	(970,163)
Investment of capital assets	2,325	(2,325)	-
Balance, end of year	\$14,299	\$ (322,349)	\$(308,050)

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash flow from operating activities:		
Cash received:		
General fees	\$ 8,160,069	\$ 6,582,582
Racing Industry Renewal Initiative	21,012,166	21,705,251
Other racing renewal	220,958	240,907
Interest and other revenue	52,118	14,520
Cash paid:		
Purse support grants	(9,013,583)	(10,717,127)
Breed improvement program	(3,798,462)	(3,972,766)
Racetrack grants	(12,781,378)	(10,549,848)
Marketing and promotion	(708,822)	(1,091,353)
Regulatory and administration	(3,286,871)	(2,977,726)
Other operating expenses	(355,215)	(327,884)
	(499,020)	(1,093,444)
Investing:		
Purchase of capital assets	(910)	(2,325)
Repayment of loan receivable	114,665	75,000
	113,755	72,675
Decrease in cash	(385,265)	(1,020,769)
Cash, beginning of year	561,479	1,582,248
Cash, end of year	\$ 176,214	\$ 561,479

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 2014

Nature of operations:

Horse Racing Alberta (the “Entity”) was created as a Provincial Corporation on June 25, 2002 by the Horse Racing Alberta Act, Chapter H-11.3, Revised Statutes of Alberta, 2000. The Entity is a non-profit organization as defined in Section 149(1)(I) of the Income Tax Act and is exempt from income taxes. The Entity is responsible for the regulation of the horse racing industry in the Province in any or all of its forms, and for the facilitation of long-term racing industry renewal.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

(b) Capital assets:

Capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Entity’s ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life
Office equipment and furniture	3-10 years
Computer hardware and software	3 years
Leasehold improvements	Term of lease

(c) Revenue recognition:

The Entity follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from fees is recognized when the services are provided.

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and investments in equities quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Entity determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Entity expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Accounts receivable:

	2014	2013
Trade receivables	\$ 672,437	\$ 1,497,207
GST receivable	81,064	39,757
	\$ 753,501	\$ 1,536,964

Notes to Financial Statements (continued)

Year ended December 31, 2014

3. Receivable from the Province of Alberta:

Flow-through amounts represent resources received and receivable from the Province of Alberta which are subject to external restrictions as follows:

	2014	2013
Deferred revenue, beginning of the year	\$ -	\$ -
Flow-through amounts from the Province of Alberta during the year	21,183,007	21,324,627
Interest received on deferred revenue	3,363	7,853
Amount recognized as Racing Industry Renewal Initiative revenues in the year	(21,186,370)	(21,332,480)
Deferred revenue, end of period	\$ -	\$ -

The Entity has an agreement with the Province of Alberta, as represented by the Minister of Finance, to assist in long-term industry renewal with monies derived from the flow-through portion of net revenue from electronic gaming terminals at licensed horse racing tracks. This agreement expires March 31, 2016.

The receivable from the Province of Alberta at December 31, 2014 is \$1,624,860 (2013-\$1,450,656).

4. Loans receivable:

	2014	2013
Grande Prairie Regional Agricultural & Exhibition Society, non-interest bearing and unsecured	\$ 327,027	\$ 441,692
Less current portion	(123,838)	(114,665)
	\$203,189	\$ 327,027

When issued in March 2006, the loan was \$1,000,000 at 0% interest. The fair value of the loan on that date was \$656,838 based on a rate of 8% interest discounting the future contractual cash flow repayments. The loan is measured at amortized cost.

In 2011, the Entity approved amendments to the loan agreement regarding repayments based on a sliding scale contingent on Evergreen Park slot revenue performance. As a result, principal repayments of the loan could vary from year to year, ranging from \$50,000 to a maximum of \$150,000. Any yearly payment received less than the expected \$150,000 is an adverse change in the expected timing of future cash flows indicating that the fair value of the loan is impaired.

Notes to Financial Statements (continued)

Year ended December 31, 2014

4. Loans receivable (continued):

In 2014, the maximum payment of \$150,000 was received by the Entity resulting in no further impairment of the loan.

Interest revenue includes \$35,346 (2013 - \$45,012) related to the amortization of the fair value discount.

	Total receivable	Unamortized discount and valuation allowance	Principal due
2015	150,000	26,162	123,838
2016	150,000	16,255	133,745
2017	75,000	5,556	69,444
	\$375,000	\$ 47,973	\$327,027

5. Capital assets:

December 31, 2014	Cost	Accumulated amortization	Net book value
Office equipment and furniture	\$ 192,212	\$ 181,579	\$ 10,633
Computer hardware and software	77,251	77,094	157
Leasehold improvements	18,914	18,230	684
	\$288,377	\$276,903	\$11,474
December 31, 2013	Cost	Accumulated amortization	Net book value
Office equipment and furniture	\$191,302	\$ 178,260	\$ 13,042
Computer hardware and software	77,251	76,779	472
Leasehold improvements	18,914	18,129	785
	\$287,467	\$273,168	\$14,299

Amortization for the year was \$3,735 (2013 - \$7,728).

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$21,518 (2013 - \$21,428), which includes amounts payable for payroll related taxes.

Notes to Financial Statements (continued)

Year ended December 31, 2014

7. Compensation:

Year ended December 31, 2014

	Positions	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3)	Total 2014
Chair	1	\$ 60,000	\$ 8,750	\$ 7,145	\$ 75,895
CEO	1	210,000	22,091	16,088	248,179
CFO	1	165,244	9,533	16,843	191,620
Board of Directors	12	-	33,852	-	33,852
Managers:					
Racetrack and administration	3	294,184	6,647	58,960	359,791
Non managers:					
Racetrack	12	535,847	3,512	89,050	628,409
Administration	3	77,276	-	23,628	100,904
	33	\$1,342,551	\$84,385	\$211,714	\$1,638,650

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include bonuses, vacation payments, honoraria, overtime and lump sum payments including severance.

(3) Other non-cash benefits include the Entity's share of all employee benefits and contributions made on behalf of the employees including health and dental, life, accidental death & dismemberment, weekly indemnity and long term disability insurances, CPP and EI contributions, WCB, car allowances and RRSP contributions.

Compensation of \$31,300 (2013 - \$31,300) is included in Backstretch human resource development expenditures.

Year ended December 31, 2013

	Positions	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3)	Total 2013
Chair	1	\$ 60,000	\$ 10,650	\$ 5,309	\$ 75,959
CEO	1	210,000	-	19,419	229,419
CFO	1	160,431	9,774	14,975	185,180
Board of Directors	12	-	58,200	300	58,500
Managers:					
Racetrack and administration	3	297,392	15,504	28,679	341,575
Non managers:					
Racetrack	12	528,234	26,830	62,214	617,278
Administration	4	75,653	-	25,146	100,799
	34	\$1,331,710	\$120,958	\$156,042	\$1,608,710

Notes to Financial Statements (continued)

Year ended December 31, 2014

7. Compensation (continued):

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include bonuses, vacation payments, honoraria, overtime and lump sum payments including severance.
- (3) Other non-cash benefits include the Entity's share of all employee benefits and contributions made on behalf of the employees including health and dental, life, accidental death & dismemberment, weekly indemnity and long term disability insurances, CPP and EI contributions, WCB, car allowances and RRSP contributions.

8. Trust funds:

The Entity collects and disburses trust funds related to the simulcast handle in the Calgary market area on behalf of Alberta Standardbred Horse Association (ASHA). As the trust funds are not owned by the Association, they have been excluded from these financial statements.

At December 31, 2014 the Entity held \$75,780 (2013 - \$50,916) of cash in trust for ASHA under a one year agreement effective January 1, 2010 between Rocky Mountain Turf Club (RMTC), ASHA and the Entity. The funds are disbursed at the sole discretion of ASHA. The agreement has been renewed yearly since ratification, and can be renewed for 2015 on the same terms.

9. Commitments:

The Entity rents office premises in Edmonton, expiring March 31, 2018. The Entity is responsible for its proportionate share of property taxes and building operating costs for the leased premises. The Entity also has automotive and office equipment under operating leases through to 2019 as well as a contract with Teleview Racing Patrol of Canada through to March 2016.

Annual payments are as follows:

2015	\$ 467,754
2016	204,830
2017	167,742
2018	42,774
2019	424
	\$ 883,524

Notes to Financial Statements (continued)

Year ended December 31, 2014

10. Financial risks and concentration of risk:

(a) *Liquidity risk:*

Liquidity risk is the risk that the Entity will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Entity manages its liquidity risk by monitoring its operating requirements. The Entity prepares a budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2013.

(b) *Credit risk:*

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Entity is exposed to credit risk with respect to the accounts receivable and loan receivable. The Entity has 54% (2013 - 78%) of its trade accounts receivable outstanding with one counterparty operating in the gaming and horse racing industry. The Entity assesses, on a continuous basis, accounts receivable and loan receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

Schedule 1 – Racetrack Grants

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget (Unaudited)	2014 Actual	2013 Actual
Northlands Park	\$ 7,457,038	\$ 7,748,843	\$ 7,714,044
Lacombe	1,170,000	1,227,946	1,170,000
Rocky Mountain Turf Club	1,153,574	1,206,779	1,182,712
Grande Prairie Regional Agricultural Society	791,214	968,543	791,214
Millarville	20,000	20,000	20,000
	\$10,591,826	\$11,172,111	\$10,877,970

Schedule 2 – Marketing and Promotion

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget (Unaudited)	2014 Actual	2013 Actual
Internal marketing, public and media relations	655,000	530,254	455,488
Live race broadcasting	135,000	178,568	147,315
Direct marketing and promotion	-	-	\$ 488,550
	\$790,000	\$708,822	\$1,091,353

Schedule 3 – Regulatory and Administration

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget (Unaudited)	2014 Actual	2013 Actual
Compensation (note 7)	\$ 1,635,925	\$ 1,638,650	\$ 1,608,711
Contractors	340,000	336,078	353,077
Photo finish and video patrol	234,000	238,887	233,668
Travel	212,000	172,825	211,281
Office rent and operating costs	156,500	151,267	152,466
Legal, consulting and audit fees	155,000	139,955	167,573
Office and administration	123,600	134,377	121,050
Appeal tribunal	37,000	36,982	36,618
Telephone	37,300	36,010	36,574
Insurance	30,350	27,373	29,754
Other	21,000	25,928	35,380
Memberships	20,000	17,731	19,707
Toxicology	8,900	8,716	8,849
Meetings and seminars	6,700	6,642	6,555
Amortization	7,000	3,735	7,728
Committee expenses	8,550	-	6,905
Loan impairment (note 4)	-	-	25,127
	\$ 3,033,825	\$2,975,156	\$ 3,061,023

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