



HORSE RACING ALBERTA  
**2017** ANNUAL REPORT



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# Vision

*Alberta will be recognized internationally  
for premier horse racing, breeding  
and quality entertainment.*

## MANDATE

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.

## MISSION

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.

## CORE BUSINESS

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



## 2017 Board of Directors

<b>Rick LeLacheur</b>	Chairman
<b>Blair Corbeil</b>	Alberta Standardbred Horse Association representative (Horsemen)
<b>Bill Andrew</b>	Alberta Standardbred Horse Association representative (Breeders)
<b>Brian Alexander</b>	Canadian Thoroughbred Horse Society representative
<b>Norm Castiglione</b>	Horsemen's Benevolent and Protective Association representative
<b>Martin West</b>	Other Breeds representative
<b>Paul Ryneveld</b>	"A" circuit representative
<b>Tim Reid</b>	"A" circuit representative
<b>Max Gibb</b>	"B" circuit representative (to July, 2017)
<b>Dan Gorman</b>	"B" circuit representative (as of August, 2017)
<b>Dale Leschiutta</b>	Public representative (to April 27, 2017). Vacant at end of 2017.
<b>Gill Hermanns</b>	Public member (as of April, 2017)
<b>Mark Ham</b>	Alberta Treasury Board and Finance representative (non-voting)
<b>Jamie Curran</b>	Alberta Agriculture and Rural Development representative (non-voting)
<b>Shirley McClellan</b>	Chief Executive Officer (non-voting)

## 2017 HRA Committee Chairs

<b>Brian Alexander</b>	Governance and Compensation Committee
<b>Bill Andrew</b>	Breed Improvement Committee
<b>Gill Hermanns</b>	Audit and Finance Committee
<b>Paul Ryneveld</b>	Strategic and Sustainable Development Committee
<b>Martin West</b>	Regulatory and Licensing Committee

## Message from the Chairman and the CEO

*The industry celebrated many highlights in 2017.*



A major highlight of the Alberta horse racing season was the hosting of the first leg of the World Driving Championships in August at Calgary Century Downs and Casino north of Calgary. The races featured 11 drivers from around the world vying for the World Driving Championship crown. Bringing the championship to Alberta was a joint effort between Standardbred Canada, Century Downs, the Alberta Standardbred Horse Association and Horse Racing Alberta. The event included an audience watching and wagering live from North America, Australia and New Zealand.

For the first time in 10 years the excitement of thoroughbred racing returned to Calgary Century Downs in September. There is little doubt the people of Calgary missed thoroughbred racing as witnessed by the large crowds and full fields. The crowds, race fields and respectable fall weather resulted in very large handles.

Significant progress on the new Century Mile racetrack took shape with track grading, scaling and other key work being done. Located near the Edmonton International Airport, plans are for the facilities to be finished in 2018. Racing will continue at Northlands Park until Century Mile is able to host races. Industry is working diligently to ensure there will be a smooth transition.

The popularity of standardbred and thoroughbred racing clubs in Grande Prairie, Edmonton and Calgary continued to grow in 2017. Racing clubs provide an affordable introduction to racehorse ownership by offering shares for a nominal fee and gives fans the opportunity to experience horse ownership first hand.

Rocky Mountain Turf Club in Lethbridge added an exciting event - Indian Relay Races - to one of their race cards that filled the stands. Indian Relay Races are a team event featuring speed and skill, with teams consisting of one rider, three horses, two holders and a mugger. Racers take one lap around the track then change horses and do it again for another lap.

In 2017, industry's slot revenue dropped five per cent as per Horse Racing Alberta's Memorandum of Understanding with the Government of Alberta. In 2018 an additional five per cent will be retained by the Government of Alberta, reducing the new industry share level to 40%. However, the overall impact of the 10-year agreement signed in 2016 is positive as it provides long-term funding confidence for the Alberta racing and breeding industry.

On behalf of the Board, we would like to thank Max Gibb and Dale Leschiutta, who left the Board in 2017, for all their contributions and recognize all those who invest their time and energy in making horse racing in Alberta a healthy industry. We would also like to thank everyone for their passion and dedication to Alberta horse racing.

**Rick LeLacheur**  
Chair, HRA Board of Directors

**Shirley McClellan**  
HRA Chief Executive Officer



# Regulatory and Appeals

## Summary of 2017 Rulings

	Rulings	Race Days	Average Per Day
Thoroughbred Stewards	75	70	0.95
Standardbred Judges	114	105	0.92
Community Circuit Judges and Stewards	65	65	1.00
<b>TOTAL</b>	<b>254</b>	<b>240</b>	<b>0.94</b>

## Summary of Appeals Heard in 2017

### Thoroughbred

Date	Ruling	Issue	Decision
May 12	None	Appeal interference	Upheld
	None	Appeal horse ineligibility	Dismissed
June 23	None	Appeal disqualification	Pending
August 16	None	Continuation from Jun 23 hearing	Pending
August 18	None	Appeal disqualification	Dismissed
September 11	#53 Sep 2	Request stay of ruling	Granted
October 20	None	Appeal order of finish	Pending
December 6	#53 Sep 2	Continuation re: positive test	Pending
December 11	None	Continuation from Oct 20	Pending

### Standardbred

Date	Ruling	Issue	Decision
March 10	None	Appeal interference	Dismissed
June 6	#35 May 27	Appeal human positive test	Withdrawn
June 19	#45 Jun 8	Appeal interference	Dismissed
	#46 Jun 8	Appeal disqualification	Dismissed
August 18	#59 Aug 30	Appeal interference	Dismissed

### Community Circuit

Date	Ruling	Issue	Decision
June 26	None	Appeal interference	Upheld

## Appeal Tribunal

**Chair:** Andrea Fugeman-Millar

**Members:** Jill Mason,  
Gordon Graydon (retired May 1, 2017)



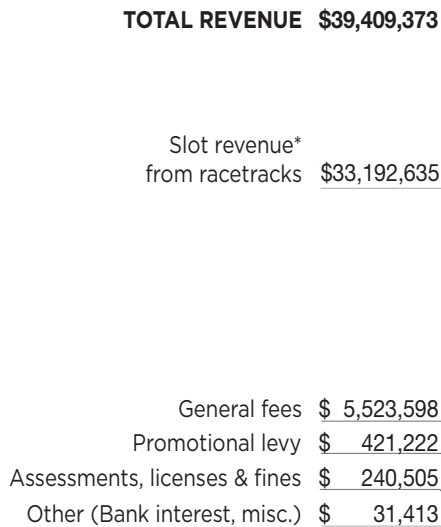
## Alberta Purses

	HRA Grant		Breed Improvement Program*		Total Purses	
	2017	2016	2017	2016	2017	2016
Thoroughbred	4,828,572	5,192,653	1,974,600	1,964,600	6,803,172	7,157,253
Standardbred	4,690,872	5,197,500	1,105,000	1,104,913	5,795,872	6,302,413
Community Circuit	2,796,115	2,967,300	380,643	380,643	3,176,758	3,347,943
<b>Totals</b>	<b>\$12,315,559</b>	<b>\$13,357,453</b>	<b>\$3,460,243</b>	<b>\$3,450,156</b>	<b>\$15,775,802</b>	<b>\$16,807,609</b>

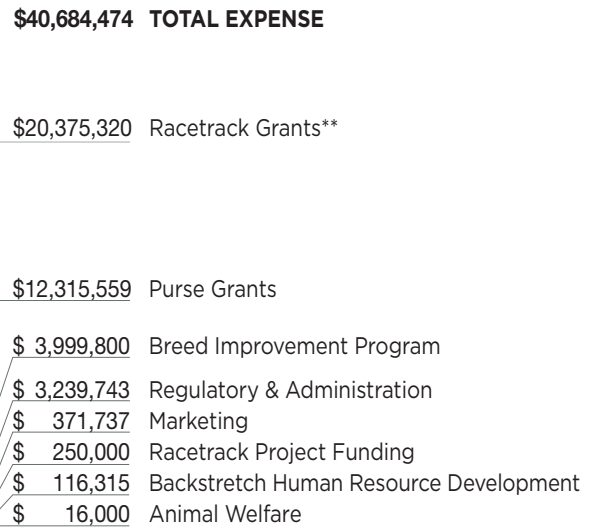
\* Estimated money available from the 2017 Breed Improvement Program. Total program investment was \$4M.

# Operations

## Where the Money Came From: 2017



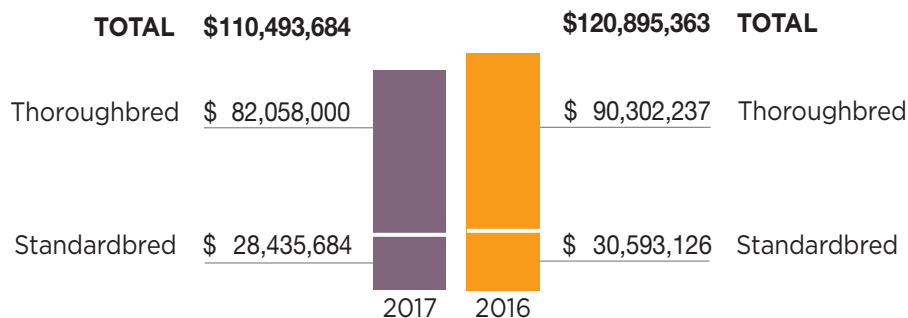
## Where the Money Went: 2017



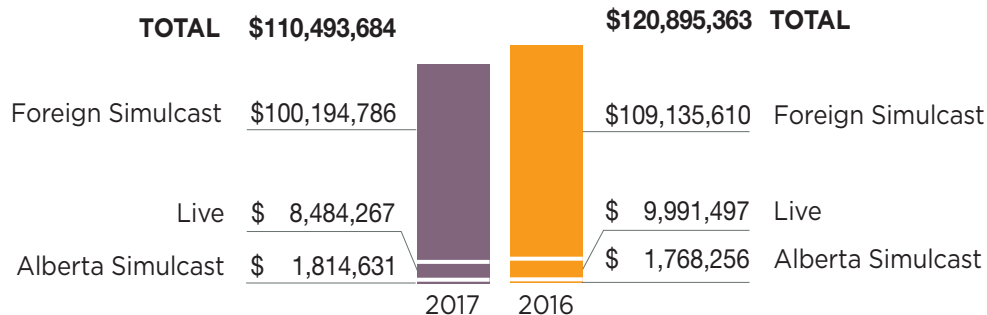
\* Represents 50% (Jan-Mar) and 45% (Apr-Dec) of total slot revenue. The net win also includes 15% to the licensee, 35% (Jan-Mar) and 40% (Apr-Dec) to the Government of Alberta.

\*\* Racetrack grants are comprised of a percentage of Racing Entertainment Centres revenue generated by each track.

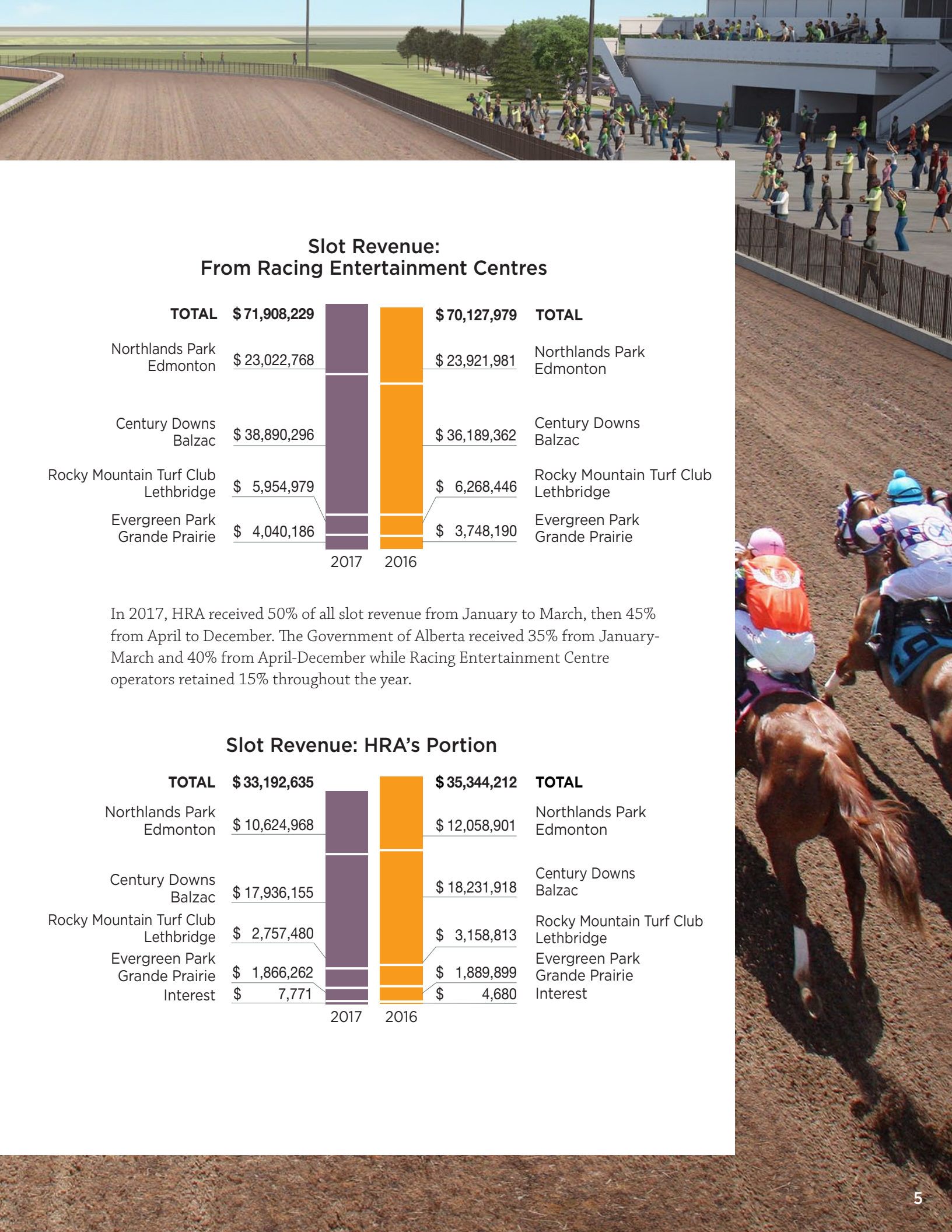
## Handle (by breed)



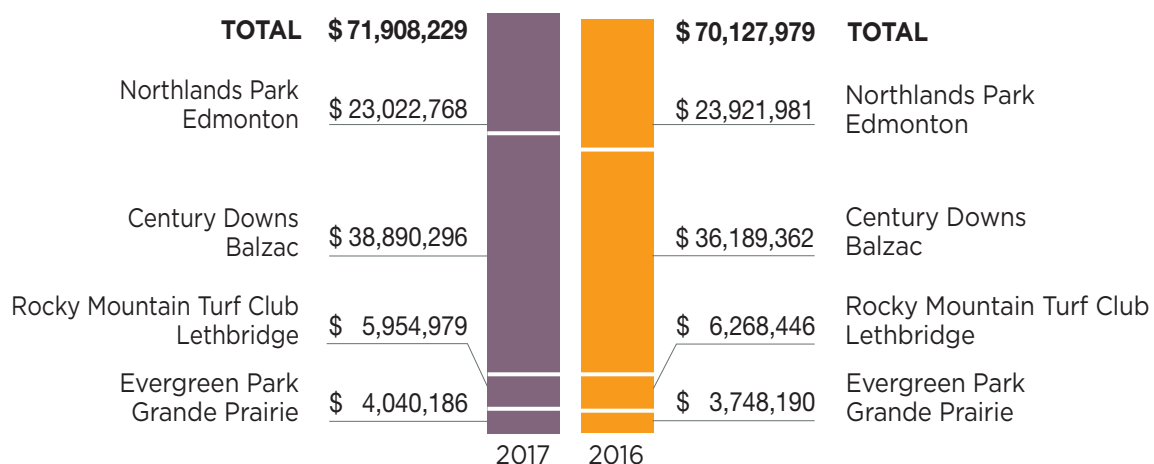
## Handle (by type)





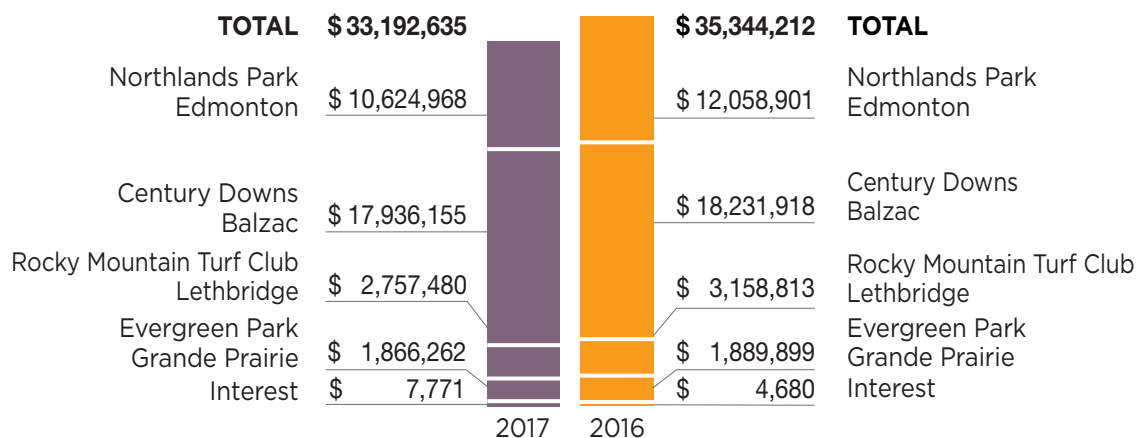


## Slot Revenue: From Racing Entertainment Centres



In 2017, HRA received 50% of all slot revenue from January to March, then 45% from April to December. The Government of Alberta received 35% from January-March and 40% from April-December while Racing Entertainment Centre operators retained 15% throughout the year.

## Slot Revenue: HRA's Portion



# World Driving Championships Visit Alberta

*A highlight of the 2017 Alberta horse racing season was taking part in the World Driving Championship (WDC) for harness racing.*



Held every two years in conjunction with the World Trotting Conference, the 2017 event featured 11 drivers from around the world vying for the title and a \$25,000 top prize.

The first leg of the five leg event was held August 12 at Century Downs Racetrack and Casino located just north of Calgary. An enthusiastic crowd watched Canadian representative James McDonald from Guelph, Ontario win two of five races. McDonald would eventually go on to win the title at the final leg held in Charlottetown, accumulating 211 points over 22 races. Runner-up Mika Forss of Finland came in second with 193 points. Points are awarded to the top five finishers of each race.

Bringing the WDC to Alberta was a joint effort of Horse Racing Alberta, the Alberta Standardbred Horse Association and Century Downs. The championship races capped off a seven day Calgary Racing Festival in Calgary that featured Industry Day, the Mid-Summer Classic, charity and golf tournaments, and a VIP gala. At a media event the day before the races, WDC competitors were made honorary Calgarians and presented with cowboy hats and limited edition jackets.



James McDonald

The races themselves, part of a 10 race program, generated wagering across the world of more than \$200,000, the largest handle ever recorded by Century Downs on a single card of racing. Overall, the WDC handle was \$2.77M, smashing the previous record.

“At the World Trotting Conference, this success was hailed as a very clear indication that when countries work together, and produce products that appeal to an international market, the opportunities are limitless even for our smaller tracks. This was something that all of us can build upon,” said Darryl Kaplan, Standardbred Canada’s

Manager of Industry Communications.

“It’s been a real honour to drive with these guys,” said MacDonald after the last race. “When I found out I was going I was just elated to be on the same racetrack. I never, ever, in a million years would have dreamed of winning so it’s a pleasant surprise, and I can’t say enough good about all the drivers.”

Races were held from August 12-18 in Alberta, Ontario, Quebec and Prince Edward Island. Canada has won four World Driving Championships since its inception in 1970. MacDonald was the first Canadian to do so on home soil.





*For the third consecutive year HRA again expanded the industry's aggressive social media campaign.*

## Marketing

A combination of promotions, testimonials, racing stories and videos showcased big racing days in many social media circles.

New in 2017 was a Throwback Thursday video segment where video industry features done since 2002 showcased past equine and people stars. In an effort to increase the handle, HRA again partnered with industry stakeholders on strategic Pick Four and Pick Five wagering incentives. The industry as a whole remains committed to growing the handle and continues to investigate handle initiatives.

Industry participated in and sponsored many events with traditional and non-traditional partners. As part of 4-H Alberta's 100-Year celebration in 2017, industry and 4-H partnered on a number of strategic initiatives while offering 4-H members and their families opportunities to participate in racing events. This included Paint the Park Green days at Racing Entertainment Centres, racing demonstrations, backstretch tours and race day participation.

Among several Horse Racing Alberta video features in support of major Alberta races, the Lady Luck/Ralph Klein video was chosen as one of two finalists for Standardbred Canada's Media Excellence Award in the Outstanding Broadcast Category. A video feature on Canadian Derby favorite Trooper John titled "Super Trooper" was named one of three finalists for a Thoroughbred Sovereign Award in the Outstanding Broadcast/ Video category. Super Trooper went on to win this prestigious award.



# Human Resources Development and Welfare

*HRA continues to invest in backstretch programs to improve supports and quality of life for grooms, exercise riders, jockeys and others.*



Canada's foreign worker program continues to severely handicap HRA's ability to help trainers and owners recruit and retain much needed backstretch workers from other countries.

At home, HRA's sponsorship of the Exercise Rider/Jockey and Racehorse Groom programs at Olds College continues to be very successful in adding professionally trained employees to the industry. Eleven students graduated from the Racehorse Groom program in 2017. These graduates continue to work in the Flat Racing and Harness racing sectors in Canada. Graduate Brandon Duchaine was nominated as one of the top three in Canada for the Sovereign Awards in the Leading Apprentice Jockey category.

In addition to HRA program support, the HRA Backstretch Foundation provides a variety of services at all racetracks in Alberta to improve the quality of life of backstretch workers. This includes benevolence to the sick and injured, recognition of those who are at the top in their field, training to those who are seeking to improve themselves, and social events to build a sense of community.

## Animal Testing 2017

	Medication		TCO2		Out-of-Competition*	
	Tests	Positives	Tests	Positives	Tests	Positives
Thoroughbred	1,063	1	518	0	64	0
Standardbred	1,553	3	277	0	46	0
Community Circuit	644	0	109	0	58	0
<b>Total</b>	<b>3,260</b>	<b>4</b>	<b>904</b>	<b>0</b>	<b>168</b>	<b>0</b>

\* On April 1, 2017 Cobalt testing moved into the Canadian Pari-Mutuel Agency drug testing program.

## Breeding

Average Yearling Sale Prices			
	2017	2016	2015
Thoroughbred	\$10,233	\$ 8,253	\$11,370
Standardbred	\$10,698	\$10,941	\$ 7,974
Quarter Horse	\$ 7,781	\$ 3,388	\$ 4,685

Breed Improvement Program Investments*			
	2017	2016	2015
Thoroughbred	\$2,219,600	\$2,219,600	\$2,386,070
Standardbred	\$1,335,000	\$1,334,913	\$1,435,340
Quarter Horse	\$ 445,200	\$ 445,200	\$ 478,590
<b>Total</b>	<b>\$3,999,800</b>	<b>\$3,999,713</b>	<b>\$4,300,000</b>

\* Includes Association and breeding support (purses).





Rey Williams (right), winner of Sovereign Award for Apprentice Rider

## Awards

- Brandon Duchaine, a graduate of Olds College's Exercise Rider program, was nominated for a Sovereign Award in the Apprentice Rider category. Rey Williams and Ridge Balgobin were the other two nominees. All three rode at Northlands Park in 2017. Williams was named the eventual winner.
- Rico Walcott was named a Sovereign Award finalist for Outstanding Jockey of the Year.
- Horse Racing Alberta won a Sovereign Award in the Outstanding Broadcast Video category and was one of two finalists in the Outstanding Broadcast Video category for Standardbred Canada's O'Brien Awards.
- Amy Henry of the Kelly Hoerdts Stable was nominated for an O'Brien Award in the Caretaker of the Year category.
- Alberta bred and raced Standardbred Mateo was nominated for an O'Brien Award in the 3-year-old Pacing Colt category.
- Alberta bred and raced Quarter Horse Bringonthewave was named Canadian Champion by the American Quarter Horse Association.
- Olds College Groom and Exercise Rider graduate Hannah Twomey was awarded an eight week mentorship in Australia through the Sheikh Mansoor Festival sponsorship program.
- Irish Racing Academy graduate Jack Pilkington spent eight weeks at Northlands Park with Rod Cone Racing Stables and Equine Extreme completing his Sheikh Mansoor Festival sponsored mentorship. He then spoke about his experience in Abu Dhabi at the Festival Conference.

# Horse Racing Alberta 2017 Recap



## Racetracks

- The World Driving Championships at Century Downs featured drivers from around the world, large crowds and set a handle record. In conjunction with the Championships, Century Downs held a very successful, week long Calgary Racing Festival.
- Thoroughbred racing returned to Calgary after a ten year hiatus. Charity days at the racetrack included the Alberta Standardbred Association's Fun for Fans Stable horses, Pacing Under Saddle race with retired standardbred and amateur riders, and the C Cup Charity race with quarter horse and thoroughbred horses and amateur riders.
- Track on 2 in Lacombe (formerly Alberta Downs) conducted its first live racing day in September. A large crowd watched 13 exhibition races.
- The Rocky Mountain Turf Club's Indian Relay races drew one of the largest horse racing crowds in Lethbridge in years and set a record handle for the day.
- 4-H Alberta's centennial celebrations involved horse racing with a kickoff event at Century Downs, and 4-H Fever and Paint the Park Green events at Northlands Park.
- Racing Clubs at Evergreen Park, Century Downs and Northland Parks enjoyed very successful years.



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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, 2017, 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 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, 2017, 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 30, 2018**  
**Edmonton, Canada**



## Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash	\$ 777,239	\$ 1,277,752
Accounts receivable (note 2)	1,200,097	839,070
Receivable from the Province of Alberta (note 3)	2,679,355	2,499,036
Prepaid expenses	65,465	64,875
Current portion of loans receivable (note 4)	38,104	59,537
	<b>4,760,260</b>	<b>4,740,270</b>
Loans receivable (note 4)	110,597	133,745
Capital assets (note 5)	3,818	6,891
	<b>\$4,874,675</b>	<b>\$4,880,906</b>
<b>Liabilities and Net Assets (Deficiency)</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 632,564	\$ 931,924
Racetrack grants payable	4,668,611	3,100,381
	5,301,175	4,032,305
Net assets (deficiency)		
Invested in capital assets	3,818	6,891
Unrestricted	(430,318)	841,710
	(426,500)	848,601
Commitments (note 9)		
	<b>\$4,874,675</b>	<b>\$ 4,880,906</b>

See accompanying notes to financial statements.

On behalf of the Board:

*Original Signed*

Chair of the Board

*Original Signed*

Chair of the Audit and Finance Committee

## Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017 Budget	2017 Actual	2016 Actual
Revenues			
General fees	\$ 6,827,737	\$ 5,944,820	\$ 6,502,432
Racing Industry Renewal Initiative revenues (note 3)	32,922,197	33,192,635	35,344,212
Other racing revenues	270,954	240,505	259,178
Interest	20,000	14,741	18,052
Other revenues	15,000	16,672	128,856
	40,055,888	39,409,373	42,252,730
Expenditures			
Purse Support Grants			
Thoroughbred	4,828,572	4,828,572	5,192,653
Standardbred	4,690,872	4,690,872	5,197,500
Community	2,798,703	2,796,115	2,967,300
	12,318,147	12,315,559	13,357,453
Breed Improvement Program			
Thoroughbred	2,219,600	2,219,600	2,219,600
Standardbred	1,335,200	1,335,000	1,334,913
Community	445,200	445,200	445,200
	4,000,000	3,999,800	3,999,713
Racetrack funding, Schedule 1	20,697,768	20,625,320	19,878,756
Marketing and promotion	395,000	371,737	392,270
Regulatory and administration, Schedule 2	2,937,334	3,239,743	3,245,245
Backstretch human resource development	101,750	116,315	273,761
Animal welfare	16,000	16,000	21,000
	24,147,852	24,369,115	23,811,032
	40,465,999	40,684,474	41,168,198
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (410,111)</b>	<b>\$ (1,275,101)</b>	<b>\$ 1,084,532</b>

See accompanying notes to financial statements.



## Statement of Changes in Net Assets (Deficiency)

Year ended December 31, 2017, with comparative information for 2016

	Invested in capital assets	Unrestricted	Total 2017
Balance, beginning of year	\$ 6,891	\$ 841,710	\$ 848,601
Excess (deficiency) of revenues over expenditures	(3,831)	(1,271,270)	(1,275,101)
Investment of capital assets	758	(758)	-
<b>Balance, end of year</b>	<b>\$ 3,818</b>	<b>\$ (430,318)</b>	<b>\$ (426,500)</b>

	Invested in capital assets	Unrestricted	Total 2016
Balance, beginning of year	\$ 9,456	\$ (245,387)	\$ (235,931)
Deficiency of revenues over expenditures	(4,541)	1,089,073	1,084,532
Investment of capital assets	1,976	(1,976)	-
<b>Balance, end of year</b>	<b>\$ 6,891</b>	<b>\$ 841,710</b>	<b>\$ 848,601</b>

*See accompanying notes to financial statements.*

## Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash flow from operating activities:		
Cash received:		
General fees	\$ 5,583,793	\$ 6,227,174
Racing Industry Renewal Initiative	33,012,316	35,560,084
Other racing renewal	240,505	259,178
Interest revenue	16,693	128,887
Cash paid:		
Purse support grants	(12,315,559)	(13,357,452)
Breed improvement program	(3,999,800)	(3,999,713)
Racetrack funding	(19,057,090)	(19,810,118)
Marketing and promotion	(371,737)	(392,270)
Regulatory and administration	(3,535,861)	(3,153,445)
Other operating expenses	(123,015)	(273,966)
	(549,755)	1,188,359
Investing:		
Purchase of capital assets	(758)	(1,976)
Repayment of loan receivable	50,000	50,000
	49,242	48,024
(Decrease) increase in cash	(500,513)	1,236,383
Cash, beginning of year	1,277,752	41,369
<b>Cash, end of year</b>	<b>\$ 777,239</b>	<b>\$ 1,277,752</b>

*See accompanying notes to financial statements.*



## Notes to Financial Statements

Year ended December 31, 2017

### 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, 2017

## 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 disclosures 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:

	2017	2016
Trade receivables	\$ 1,193,451	\$ 832,940
GST receivable	6,646	6,130
	<b>\$ 1,200,097</b>	<b>\$ 839,070</b>

## 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:

	2017	2016
Deferred revenue, beginning of the year	\$ -	\$ -
Flow-through amounts from the Province of Alberta during the year	33,184,865	35,339,532
Interest received on deferred revenue	7,770	4,680
Amount recognized as Racing Industry Renewal Initiative revenues in the year	(33,192,635)	(35,344,212)
<b>Deferred revenue, end of period</b>	<b>\$ -</b>	<b>\$ -</b>



## Notes to Financial Statements continued

Year ended December 31, 2017

### 3. Receivable from the Province of Alberta (continued):

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, 2026.

The receivable from the Province of Alberta at December 31, 2017 is \$2,679,355 (2016 - \$2,499,036).

### 4. Loans receivable:

	2017	2016
Grande Prairie Regional Agricultural & Exhibition Society, non-interest bearing and unsecured	\$ 148,701	\$ 193,282
Less current portion	(38,104)	(59,537)
	<b>\$ 110,597</b>	<b>\$ 133,745</b>

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.

In 2017, the sliding scale contingency resulted in a reduction of the payment received to \$50,000 from \$150,000 and the \$50,000 was added to repayments in 2018 resulting in an impairment of \$9,300 (2016 - \$20,795).

Interest revenue includes \$14,719 (2016 - \$18,020) related to the amortization of the fair value discount.

	Total receivable	Unamortized discount and valuation allowance	Principal due
2018	\$ 50,000	\$ 3,704	\$ 46,296
2019	50,000	7,133	42,867
2020	75,000	15,463	59,537
	<b>\$175,000</b>	<b>\$26,300</b>	<b>\$148,700</b>

## Notes to Financial Statements continued

Year ended December 31, 2017

### 5. Capital assets:

			2017	2016
December 31, 2016	Cost	Accumulated amortization	Net book value	Net book value
Office equipment and furniture	\$ 197,057	\$ 193,667	\$ 3,390	\$ 6,377
Computer hardware and software	77,251	77,251	-	-
Leasehold improvements	18,914	18,486	428	514
	<b>\$293,222</b>	<b>\$289,404</b>	<b>\$3,818</b>	<b>\$6,891</b>

Amortization for the year was \$3,831 (2016 - \$4,541).

### 6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2016 - \$nil), which includes amounts payable for payroll related taxes.

### 7. Compensation:

	Positions	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3)	Total 2017	Total 2016
Chair	1	\$ 55,000	\$ -	\$ 6,866	\$ 62,366	\$ 70,532
CEO	1	210,000	30,167	10,840	251,007	252,348
CFO	1	175,307	21,576	9,949	206,832	213,776
Board of Directors	12	-	13,598	503	14,101	45,750
Managers:						
Racetrack and administration	3	249,796	146,619	22,794	419,209	377,369
Non-managers:						
Racetrack	13	578,342	5,652	80,781	664,775	663,954
Administration	4	94,665	10,804	21,917	127,386	142,681
	<b>35</b>	<b>\$1,363,610</b>	<b>\$228,416</b>	<b>\$153,650</b>	<b>\$1,745,676</b>	<b>\$1,766,410</b>

	Positions	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3)	Total 2017	Total 2016
Appeals Tribunal, Chair	1	-	\$ 111,341	\$ 2,097	\$ 113,438	\$ -
Appeals Tribunal, Members	2	-	6,850	364	7,214	-
	<b>3</b>	<b>\$ -</b>	<b>\$118,191</b>	<b>\$ 2,461</b>	<b>\$ 120,652</b>	<b>\$ -</b>

(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.



## Notes to Financial Statements continued

Year ended December 31, 2017

### 7. Compensation (continued):

Compensation of \$33,300 (2016 - \$48,300) is included in Backstretch human resource development expenditures.

### 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, 2017 the Entity held \$744 (2016 - \$912) of cash in trust for ASHA. The funds are disbursed at the sole discretion of ASHA.

### 9. Commitments:

The Entity rents office premises in Edmonton, expiring March 31, 2026. 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 2021 as well as a contract with Teleview Racing Patrol of Canada through to March 2018.

#### Annual payments are as follows:

2018	\$ 473,179
2019	226,362
2020	208,939
2021	170,377
2022	144,210
	<b>\$1,223,067</b>

### 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 2016.

#### (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 78% (2016 - 57%) 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 Funding

Year ended December 31, 2017, with comparative information for 2016

	2017 Budget	2017 Actual	2016 Actual
Century Downs:			
Racetrack funding	\$ 10,616,480	\$ 11,180,960	\$ 10,404,441
Discretionary project funding	500,000	-	500,000
Northlands Park:			
Racetrack funding	7,429,556	7,137,058	6,877,569
Discretionary project funding	-	-	-
Rocky Mountain Turf Club	1,602,211	1,613,745	1,567,112
Grande Prairie Regional Agricultural Society	519,521	663,557	499,634
Millarville	30,000	30,000	30,000
	<b>\$20,697,768</b>	<b>\$20,625,320</b>	<b>\$ 19,878,756</b>

## Schedule 2 – Regulatory and Administration

Year ended December 31, 2017, with comparative information for 2016

	2017 Budget	2017 Actual	2016 Actual
Compensation (note 7)	\$ 1,715,274	\$ 1,745,676	\$ 1,766,410
Office and administration	287,457	271,579	276,361
Contractors	280,363	283,469	297,716
Regulatory	238,600	253,497	267,140
Office rent and operating costs	163,440	164,429	159,827
Legal, consulting and audit fees	144,700	168,353	248,505
Travel	97,500	109,737	156,039
Appeal tribunal	10,000	232,233	52,452
Loan impairment (note 4)	-	9,300	20,795
Bad debt	-	1,470	-
	<b>\$2,937,334</b>	<b>\$ 3,239,743</b>	<b>\$ 3,245,245</b>



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