

**THE HORSEMEN'S BENEVOLENT
AND
PROTECTIVE ASSOCIATION
OF BRITISH COLUMBIA**

FINANCIAL STATEMENTS

MARCH 31, 2007

**THE HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
OF BRITISH COLUMBIA**

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MARCH 31, 2007

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CHARTERED ACCOUNTANTS
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AUDITORS' REPORT

To the Members THE HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
OF BRITISH COLUMBIA

We have audited the statement of financial position of The Horsemen's Benevolent and Protective Association of British Columbia as at March 31, 2007 and the statements of revenues and expenditures, 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 March 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. As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Vancouver, B.C. "*Beauchamp & Company*" June 21, 2007 Chartered Accountants

(1)

**OF BRITISH COLUMBIA STATEMENTS
OF FINANCIAL POSITION AS AT
MARCH 31, 2007 AND 2006**

ASSETS

CURRENT ASSETS	2007 \$	2006
Cash and cash	171,666	107,066
equivalents	246,134	6,911
receivable - Grant	44,074	\$ -35,601
receivable - dental		
Inventory		
	468,785	394,804
RESTRICTED CASH AND CASH EQUIVALENTS (Note 7)	\$ 197,704	\$ 204,196
	\$ 672,981	\$ 592,508

LIABILITIES CURRENT LIABILITIES Accounts payable and accrued liabilities	\$ 130,065	\$ 60,799
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DEFERRED REVENUE (Note 7) Dental care program Learning centre
program **COMMITMENTS** (Note 8) **NET ASSETS INTERNALLY**
RESTRICTED NET ASSETS UNRESTRICTED NET ASSETS

88,111 93,062 6,758 8,751
94,869 101,813 224,934
162,612 109,327 95,891
338,720 334,005 448,047
429,896 \$ 672,981 \$ 592,508

APPROVED BY THE DIRECTORS:

Mel Snow DIRECTOR

"Harold Barroby"

DIRECTOR

Noel Roddick..

DIRECTOR

(2) See accompanying notes.

**THE HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION OF BRITISH
COLUMBIA STATEMENTS OF REVENUES AND EXPENDITURES FOR THE YEARS ENDED
MARCH 31, 2007 AND 2006**

		\$
		2006
REVENUES Dues -general -B.C. bred purse supplement Interest and other		254,016
income Rental income Commission income Net revenue -lasix program	2007 \$	21,844
Allocation from deferred revenue -dental care program Hastings Park feed	225,281	10,009
store (Schedule A)	18,218 14,511	4,112
	3,375 10,061	9,390
	14,387 54,951	1,110
	37,976	50,000
	378,760	99,103
		449,584

EXPENDITURES			
Awards night Benevolence Christmas party, picnic and other recreational activities			
Contribution to interior track stakes races			
Convention and travel -H.B.P.A. annual conference			
Dental care program costs (Note 5)			
Donations -general			
-New Stride Thoroughbred Retirement Foundation			
-The H.B.P.A. of Ohio lawsuit matter			
Dues -The H.B.P.A. of Canada			1,785
Election Equipment maintenance			
Insurance Meals -backstretch personnel			8,870
Meetings -directors -general membership			
Miscellaneous Office, telephone and sundry			7,130
Political initiatives			
Professional fees -audit -legal			5,000
Promotion -"Sport of Kings" T.V. show			5,500
Salaries and benefits			53,311
Scholarships			700
Veterinary services			8,000
			5,000
			6,625 -
	2,210	15,707	4,866
	6,713	7,500	66,490
	5,584	54,951	1,399
	500	1,186	2,869
	5,000	6,625	4,322
	7,681	4,347	12,793
	60,535	1,898	7,883
	1,259	3,723	18,036
	14,168	7,180	5,020
	4,838	5,589	515 -
	540	12,360	97,886
		102,865	26,620
		27,650 -	19,246
		360,609	364,866

EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR \$ 18,151 \$ 84,718

(3) See accompanying notes.

(4) See accompanying notes.

THE HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION OF BRITISH COLUMBIA STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED MARCH 31, 2007 AND 2006

	Restricted for Hastings Park Feed Store Bank Credit Facility \$ 60,000	Restricted for Special Projects Unrestricted \$	2007 \$	2006
Balance, Beginning of Year		35,891 \$ 334,005	429,896	\$ 345,178
Excess of revenues over expenditures for the year	13,436 \$	4,715 \$	18,151 \$	84,718
-Balance, End of Year \$ 60,000	49,327	338,720	448,047	\$ 429,896

CASH PROVIDED BY (USED FOR):

2007 2006

OPERATING ACTIVITIES

Excess of unrestricted revenues over expenditures for the year	\$ 4,715	\$ 71,216
Net change in non-cash working capital items:		
Accounts receivable	6,003	(25,700)
Grant receivable -dental care program	(6,911)	3,752
Loan receivable	-	6,000
Inventory	(8,473)	(5,654)
Accounts payable and accrued liabilities	69,266	7,208
INCREASE IN CASH FOR THE YEAR	64,600	56,822
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	107,066	50,244

**UNRESTRICTED CASH AND CASH EQUIVALENTS,
END OF YEAR**

\$ 171,666 \$ 107,066

CASH AND CASH EQUIVALENTS ARE COMPRISED OF:

Bank indebtedness	\$ (128,334)	\$ (142,934)
Term deposits	300,000	250,000
	\$ 171,666	\$ 107,066

(5) See accompanying notes.

SCHEDULE A

**THE HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
OF BRITISH COLUMBIA
HASTINGS PARK FEED STORE OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2007 AND 2006**

2007 2006

SALES \$ 1,596,647 \$1,623,495

COST OF SALES Inventory, beginning of year 35,601 29,947 Purchases 1,368,568 1,400,276 Wages and benefits 111,573 110,868

1,515,742 1,541,091 Inventory, end of year 44,074 35,601

1,471,668 1,505,490

GROSS PROFIT (7.83%; **2006:** 7.27%) 124,979 118,005

EXPENDITURES Accounting and audit 8,050 6,850 Automotive 1,850 1,070 Bad debts (recoveries) 22,257 (918) Credit card costs 12,474 10,832 Interest and bank charges 11,093 8,073 General expenses 5,651 6,396 Office salaries and benefits 25,673 27,630 Postage, stationery and office 3,445 4,644 Telephone 1,542 1,015 Travel 1,800 1,800 Warehouse expenses 4,658 7,003

EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER INCOME 26,486 43,610

INTEREST AND OTHER INCOME Interest income 11,490 8,620 Cancellation of disposal fees -46,873

EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR \$ 37,976 \$ 99,103

(6) See accompanying notes.

1. NATURE OF OPERATIONS

THE HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION OF BRITISH COLUMBIA (the "Association") was incorporated under the Society Act (British Columbia) on March 9, 1987, and commenced operations April 1, 1987. The purpose of the Association is to aid and protect the general welfare of the racing industry, the interest of its members and their employees, and the backstretch personnel.

The Association is exempt from taxation under Section 149(1) of the Income Tax Act of Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis Of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which necessarily involves the use of estimates. The preparation of financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenditures for the period reported. Actual results could differ from those estimates. The financial statements of the Association have, in management's opinion, been properly prepared within reasonable limits of materiality, and within the framework of the significant accounting policies summarized below.

These financial statements include the divisional statements of the Hastings Park Feed Store operations.

b) Revenue Recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Restricted investment income is recognized as revenue in the year in which the related expenditures are incurred. Unrestricted investment income is recognized as revenue when earned.

Dues revenue is calculated based on 2% of the purses paid on live racing at Hastings Park racetrack.

c) Inventory

Inventory is costed using the first-in, first-out method, and is disclosed at the lower of cost and net realizable value.

d) Equipment

Office furniture and equipment purchased during the year are charged directly to the Association's statement of revenue and expenditures. There have been no office equipment or furniture purchases by the Association over the last two years.

(7)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Donated Materials And Services

Donated materials and services are recorded only when a fair value can be reasonably estimated and when they would be paid for by the Association if they had not been donated.

f) Contributed Services

Significant volunteer labour is contributed to assist the Association in carrying out its activities, but is not recorded in the Association's financial statements due to the difficulty of determining the fair value of those services.

3. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash, term deposits, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments due to the immediate or short term maturity of the majority of these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

The Association is subject to credit risk through trade receivables at the Hastings Park feed store. Credit risk with respect to trade receivables is minimized by a large customer base and its geographic dispersion. The Association performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. The Association maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit with its bank and highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash. As at March 31, 2007, the Association's term investments had an effective annual interest rate of 2.90%, and matured on April 2, 2007.

The Association's Hastings Park Feed Store Division has a bank line of credit facility of \$220,000 (2006 \$220,000). As security, the Association has provided a general security agreement covering all assets of the Association, an assignment of fire insurance proceeds, and hypothecation of a \$60,000 guaranteed

investment certificate. Interest on the credit facility is charged at prime + 0.25% up to \$60,000, and at prime + 0.50% on the remaining balance. Renegotiation of this credit facility is anticipated to be prior to September 30, 2007.

5. GRANT RECEIVABLE -DENTAL CARE PROGRAM

The thoroughbred horse racing industry has approved a grant to the Association of up to \$50,000 (2006 \$50,000) in connection with its participation in the dental program pertaining to backstretch personnel. As at March 31, 2007, the amount to be received in respect of this grant was \$6,911 (2006 -\$Nil). Total costs incurred in respect of the dental care program for the year ended March 31, 2007 were \$54,951 (2006 \$53,311). The grant for the Association has been reduced to \$30,000 for the year ended March 31, 2008.

(8)

6. RESTRICTED CASH AND CASH EQUIVALENTS

The Association has set aside a \$60,000 (2006 -\$60,000) guaranteed investment certificate as security for the bank line of credit of the Hastings Park Feed Store Division as disclosed in note 4.

The Association has set aside \$49,327 (2006 -\$35,891) for future special projects.

The internally restricted amounts are not available for other purposes without the approval of the Association's Board of Directors.

The Association has set aside \$94,869 (2006 -\$101,813) for a dental care plan for qualified personnel and for a learning centre for backstretch workers. (See Note 7)

7.	DEFERRED REVENUE <u>2007</u> <u>2006</u>
BALANCE, BEGINNING OF YEAR	\$ 101,813 \$ 110,905
Add funds received: Grant -dental care program	50,000 50,000
	151,813 160,905
Deduct expenditures: Dental care program costs (54,951) (50,000) Tutoring and supplies for learning centre (1,993) Benevolence payments for special needs -(9,092)	
BALANCE, END OF YEAR	\$ 94,869 \$ 101,813

8. COMMITMENTS

The Association is committed to aggregate payments totalling \$198,000 for the period mentioned below for honorariums/remuneration to the Secretary-Treasurer of the Association as follows:

**Secretary-Treasurer
Remuneration**

April 1, 2007 to December 31, 2007 \$ 54,000 January 1, 2008 to December 31, 2008

The Association is committed to paying a retiring allowance of \$36,000 in three equal annual instalments of \$12,000 each. The first instalment is due the day after the expiration of the Secretary-Treasurer's employment contract, being January 1, 2010.

(9)

9. DIVISIONAL OPERATIONS -BALANCE SHEETS

The assets, liabilities and equity of each division, being the general fund and feed store operations, are as follows:

	Hastings Park General		
	<u>Feed Store Operations</u>		
	<u>Operations Total</u>		
ASSETS			
Cash and cash equivalents	\$ 334,875	\$ (163,209)	\$ 171,666
Accounts receivable	6,922	239,212	246,134
Grant receivable -dental care program	6,911	-6,911	
Inventory	-44,074	44,074	
Restricted cash and cash equivalents	204,196	-204,196	
	\$ 552,904	\$ 120,077	\$ 672,981
LIABILITIES AND NET ASSETS			
Accounts payable and accrued liabilities	\$ 9,988	\$ 120,077	\$ 130,065
Deferred revenue	94,869	-94,869	
Net assets	448,047	-448,047	
	\$ 552,904	\$ 120,077	\$ 672,981

