

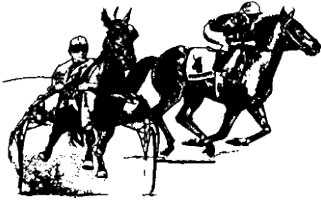
Manitoba



ANNUAL REPORT

2017 - 2018

Manitoba
Horse Racing
Commission



Brett Arnason (Chair)
Peter Fuchs (Vice-Chair)
Marg Homenuik (Member)
Darrell Stephansson (Member)
Robert King (Member)

Larry Huber (Executive Director)

MANITOBA HORSE RACING COMMISSION

PO BOX 46086 WESTDALE
WINNIPEG MB R3R 3S3

Telephone (204) 885-7770 Facsimile (204) 831-0942
<http://www.manitobahorsecomm.org>

June 1st, 2018

The Honorable Ralph Eichler
Minister of Agriculture
Room 165
Legislative Building
450 Broadway
Winnipeg, MB R3C 0V8

Dear Mr. Eichler:

Annual Report

The undersigned has the honour to present the Fifty-Second Annual Report of the Manitoba Horse Racing Commission covering the fiscal year ended March 31st, 2018.

Yours truly,

Manitoba Horse Racing Commission

Brett Arnason
Chair, MHRC



Brett Arnason (Chair)
Peter Fuchs (Vice-Chair)
Marg Homenuik (Member)
Darrell Stephansson (Member)
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Le 1^{er} juin 2018

L'honorable Ralph Eichler
Ministre de l'agriculture
Palais législatif, bureau 165
450 Broadway
Winnipeg (Manitoba) R3C 0V8

Monsieur le Ministre,

Rapport annuel

Le soussigné a l'honneur de présenter le cinquante-deuxième rapport annuel de la Commission hippique du Manitoba couvrant l'exercice financier se terminant le 31 mars 2018.

Cordialement,

la Commission hippique du Manitoba

Brett Arnason
Président, Commission hippique du Manitoba

**FIFTY-SECOND ANNUAL REPORT
THE MANITOBA HORSE RACING COMMISSION**

For the year ending March 31st, 2018

COMMISSIONERS

| | | |
|----------------------------|-------------------|-----------------|
| Brett Arnason | Chair | Winnipeg |
| Peter Fuchs | Vice Chair | Winnipeg |
| Marg Homenuik | Member | Winnipeg |
| Darrell Stephansson | Member | Winnipeg |
| Robert King | Member | Winnipeg |

CINQUANTE - DEUXIÈME RAPPORT ANNUEL
COMMISSION HIPPIQUE DU MANITOBA
(THE MANITOBA HORSE RACING COMMISSION)

Exercice financier terminé le 31 mars 2018

COMMISSAIRES

| | | |
|----------------------------|-----------------------|-----------------|
| Brett Arnason | Président | Winnipeg |
| Peter Fuchs | Vice-président | Winnipeg |
| Marg Homenuik | Membre | Winnipeg |
| Darrell Stephansson | Membre | Winnipeg |
| Robert King | Membre | Winnipeg |

FIFTY-SECOND ANNUAL REPORT
THE MANITOBA HORSE RACING COMMISSION

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FIFTY - SECOND ANNUAL REPORT

THE HORSE RACING COMMISSION

GENERAL

This report covers the twelve-month period ending on March 31, 2018.

The functions of the MHRC are set out in the Horse Racing Commission Act, the Horse Racing Regulation Act and the Pari-Mutuel Levy Act.

Under the Horse Racing Commission Act the MHRC is given the power and responsibility to govern, direct, control and regulate horse racing in Manitoba and the operation of all race tracks offering Pari-Mutuel racing. Pursuant to this responsibility the MHRC passes and enforces rules, licenses all industry participants and racetrack operators, and generally oversees all aspects of horse racing to ensure that it is carried on in a manner that is fair and safe for all participants and that the races are run fairly and honestly and are perceived as such by the public.

Additionally, under the Horse Racing Commission Act, the MHRC is to perform such other duties and functions that may be imposed upon it by the Lieutenant Governor in Council and it should be noted that unlike Commissions in some other provinces it is not part of the function of the MHRC to promote horse racing. The Manitoba Horse Racing Commission is a regulator. The only reference to promotion in either the Horse Racing Commission Act or the Pari-Mutuel Levy Act is Section 13 (1) of the Pari-Mutuel Levy Act which established the Pari-Mutuel Levy Fund for "promotion" of horse racing.

Manitoba horse racing statistics for the year are shown in the attached Schedules A to D. These statistics attempt to show the financial implications of the industry to the Province, Associations, Horsemen and Breeders for both thoroughbred and standardbred segments of the industry.

Take Out Percentages for Assiniboia Downs are as follows:

| | Association | Provincial | Federal |
|--|--------------------|-------------------|----------------|
| Win, Place, Show | 10.70% | 7.5% | 0.8% |
| Daily Double & Exactor & Quinella | 17.70% | 7.5% | 0.8% |
| Pick 4 | 1.70% | 12.5% | 0.8% |
| Pick Pools | 15.70% | 12.5% | 0.8% |
| Superfecta, Triactor & Super Hi 5 | 15.70% | 12.5% | 0.8% |

Thoroughbred

There was a total of 50 days of live racing offered at Assiniboia Downs, with live and simulcast wagering totalling \$23,314,818 compared to \$23,398,678 last year.

The horse population remained stable from the previous year along with the number of licenses issue for owners and trainers, but it should be noted that there continues to be a labour shortage of "backstretch workers" (the people that work directly with the horses) which is causing concern to all industry participants, unfortunately this seems to be a trend that is common to all Canadian racetracks.

Standardbred

The Standardbred industry provides an important cultural event for the communities that host harness racing and was able to equal its previous year's annual handle in spite of a reduction of 8 race days.

Although it is encouraging to note that the industry held its own, it must be remembered that steps must be taken to improve attendance and handle and hopefully will be addressed in the near future as part of the Government's formulation of a racing policy.

Security

The Commission is continuing random drug testing and alcohol breathalyzer testing with continued co-operation from all segments of the industry, with emphasis being shifted to education, prevention and rehabilitation. Elimination or decreases in on-track accidents have followed and add significantly to the integrity of the sport.

To ensure that races are run fairly and honestly, and are perceived as such by the public, the betting pools are constantly monitored for fraudulent patterns and investigations are held into any hints or allegations of questionable racing tactics.

Conclusion

During the year competition from other forms of entertainment and gambling opportunities continued to proliferate and while this is cause for concern, it should be noted that this situation is not unique to the Province of Manitoba, horse racing in general appears to be in a critical state across North America as it struggles to find its place within the new gaming arena.

CINQUANTE - DEUXIÈME RAPPORT ANNUEL

COMMISSION HIPPIQUE DU MANITOBA **(THE MANITOBA HORSE RACING COMMISSION)**

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CINQUANTE-DEUXIÈME RAPPORT ANNUEL

LA COMMISSION HIPPIQUE

GÉNÉRAL

Le présent rapport couvre la période de douze mois prenant fin le 31 mars 2018.

Les fonctions de la Commission hippique du Manitoba (la Commission) sont énoncées dans la *Loi sur la Commission hippique* et son règlement d'application, et dans la *Loi sur les prélèvements sur les mises de pari mutuel*.

En vertu de la *Loi sur la Commission hippique du Manitoba*, la Commission s'est vu confier le pouvoir et la responsabilité de régir, diriger, contrôler et réglementer les courses de chevaux au Manitoba et d'exploiter tous les hippodromes offrant des courses axées sur le pari mutuel. Par ailleurs, la Commission vote et applique des règlements, autorise les intervenants du secteur et les exploitants d'hippodromes, et surveille tous les aspects de la course hippique pour garantir qu'elle se déroule d'une manière équitable et sûre pour tous les participants, et que les courses soient disputées justement et honnêtement, et perçues comme telles par le public.

Par ailleurs, en vertu de la *Loi sur la Commission hippique du Manitoba*, la Commission est amenée à exécuter d'autres tâches et fonctions qui peuvent lui être imposées par le lieutenant-gouverneur en conseil. Par contre, à l'inverse de certaines commissions d'autres provinces, il faut souligner qu'au Manitoba, il n'appartient aucunement à la Commission de promouvoir la course hippique. Celle-ci a un rôle de régulateur. L'unique mention de promotion, dans la *Loi sur la Commission hippique du Manitoba* ou la *Loi sur les prélèvements sur les mises de pari mutuel*, se trouve au paragraphe 13 (1) de la *Loi sur les prélèvements sur les mises de pari mutuel* qui a établi le Fonds de pari mutuel pour la « promotion » de la course hippique.

Vous trouverez des statistiques concernant les courses de chevaux au Manitoba pour cette année dans les grilles A à D ci-jointes. Nous essayons ainsi de montrer quelles sont les répercussions financières de l'industrie pour la province, les associations, les cavaliers et les éleveurs, aussi bien pour le secteur du pur-sang que celui du standardbred.

Les pourcentages à retirer pour Assiniboia Downs sont les suivants :

| | Association | Provincial | Fédéral |
|--------------------------------------|-------------|------------|---------|
| Gagnant, placé, classé | 10,70 % | 7,5 % | 0,8 % |
| Quotidien double, exacta et quiniela | 17,70 % | 7,5 % | 0,8 % |
| Pick 4 | 1,70 % | 12,5 % | 0,8 % |
| Poules de pari spécial | 15,70 % | 12,5 % | 0,8 % |
| Superfecta, trifecta et Super Hi-5 | 15,70 % | 12,5 % | 0,8 % |

Courses de pur-sang

Il y a eu au total 50 jours de course en direct à Assiniboia Downs, dont les paris sur les courses en direct et en diffusion simultanée se chiffraient à 23 314 818 \$ comparativement à 23 398 678 \$ l'an dernier.

Le nombre de chevaux est demeuré stable par rapport à l'année précédente, tout comme celui des émissions de licences aux propriétaires et aux entraîneurs. Il faut cependant indiquer qu'on manque toujours de travailleurs d'arrière-plan (personnel intervenant directement auprès des chevaux), ce qui préoccupe tous les acteurs de l'industrie. Malheureusement, il semble que cette tendance est générale à tous les hippodromes canadiens.

Courses de standardbred

Le secteur du standardbred tient une place culturelle importante dans les localités qui présentent des courses attelées, et on n'y déplore aucune perte d'activité par rapport à l'an dernier malgré 8 jours de course en moins.

Même s'il est encourageant de noter que l'industrie a maintenu sa position, il faut rappeler qu'il est indispensable de prendre des mesures pour améliorer la fréquentation et l'activité, ce qui sera fait très prochainement nous l'espérons, dans le cadre de la formulation d'une politique en matière de courses par le gouvernement.

Sécurité

La Commission poursuit ses contrôles aléatoires de dépistage de drogues et d'alcool avec un soutien sans faille de tous les segments de l'industrie, en mettant l'accent notamment sur l'éducation, la prévention et la réadaptation. L'élimination ou la diminution des accidents sur circuit qui en a résulté contribuent considérablement à l'intégrité du sport.

Pour garantir que les courses sont disputées justement et honnêtement, et qu'elles sont perçues comme telles par le public, les collectifs de paris sont continuellement surveillés pour prévenir toute pratique frauduleuse, et des enquêtes sont ouvertes en cas de soupçon ou d'allégation de tactiques de course douteuses.

Conclusion

Au cours de l'année, la concurrence provenant d'autres formes de divertissements et de jeux n'a cessé de s'amplifier, et l'industrie demeure dans une position à haut risque dans la province. Bien que cela ne soit d'aucune consolation pour les nombreux Manitobains qui gagnent leur vie et subviennent aux besoins de leur famille grâce à cette industrie, il faut dire que la situation n'est pas propre aux seules régions de l'Amérique du Nord. En fait, c'est le secteur dans son ensemble qui est menacé. Il dépend lourdement de l'appui continu du gouvernement, envers lequel tous les acteurs de cette importante activité provinciale ne peuvent être que reconnaissants.

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the annual report, is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance as to the reliability and accuracy of the financial information and to ensure that the assets of the Commission are properly safeguarded.

The responsibility of the Auditor is to express an independent professional opinion as to whether the financial statements are presented fairly, in all material respects.

* It should be noted that the Pari-mutual fund is overstated by an amount of \$2,800. This difference is reflected in the Minister of Finance amount of \$3,800 overstatement and CTHS understatement of \$1,000. This difference was discussed with the auditors and deemed insignificant on the wide scope.

LaLarry Huber
Executive Director

A handwritten signature in black ink, appearing to be 'LaLarry Huber', with a stylized flourish at the end.

Date: June 1st, 2018

RAPPORT DE GESTION

Les états financiers ci-joints sont la responsabilité de la direction et ont été préparés conformément aux principes comptables canadiens généralement reconnus. À notre avis, les états financiers ont été convenablement préparés à l'intérieur des limites de l'importance relative des renseignements, en y incorporant le meilleur jugement de la direction en ce qui a trait aux estimations requises ainsi que toutes autres données disponibles. L'information financière présentée ailleurs dans ce rapport annuel est conforme à ce que l'on retrouve dans les états financiers.

La direction maintient des contrôles internes afin d'assurer, et ce dans la mesure du possible, que l'information financière est précise et fiable et aussi que les actifs de la commission soient bien protégés.

La responsabilité du vérificateur consiste à formuler une opinion professionnelle indépendante quant à la justesse des états financiers, à tous égards importants.

Larry Huber
Directeur général



Date: le 1 juin 2018

ASSINIBOIA DOWNS**LIVE RACING**

| | <u>2017/18</u> | <u>2016/17</u> |
|--|-----------------------|-----------------------|
| <u>Wagering on Live Racing (on track)</u> | \$3,126,818 | \$3,099,221 |
| <u>Wagering on Live Racing (partners)</u> | \$7,929,092 | \$6,731,702 |
| <u>total live wagering</u> | \$11,055,910 | \$9,830,923 |
| Number of live race days | 50 | 49 |
| <u>Number of live races</u> | | |
| Overnight | 318 | 325 |
| Stakes | 26 | 26 |
| Quarterhorse stakes | 0 | 0 |
| *Average daily wagering (live) | \$62,536 | \$63,249 |
| Purse paid out (overnights) | \$2,788,700 | \$2,904,700 |
| Purse paid out (stakes) | \$813,000 | \$705,000 |
| Purse paid out (quarterhorse) | 0 | 0 |

Simulcast Racing

| | <u>2017/18</u> | <u>2016/17</u> |
|------------------------------------|-----------------------|-----------------------|
| <u>Simulcast Wagering</u> | | |
| Number of race days | 364 | 364 |
| Total Simulcast | \$20,188,000 | \$20,299,457 |
| <u>Pari-mutuel Wagering</u> | | |
| Number of Race Days | 364 | 364 |
| Total Pari - Mutuel | \$23,314,818 | \$23,398,678 |

RURAL RACING**Racing Days**

| <u>Standardbred</u> | <u>2017/18</u> | <u>2016/17</u> |
|----------------------------|-----------------------|-----------------------|
| Glenboro | 0 | 2 |
| Holland | 2 | 2 |
| Killarney | 3 | 4 |
| Miami | 4 | 6 |
| Morris | 1 | 4 |
| Subtotal | <u>10</u> | <u>18</u> |

Amount Wagered

| | <u>2017/18</u> | <u>2016/17</u> |
|-----------|------------------------|------------------------|
| Glenboro | 0 | 4,284 |
| Holland | 8,849 | 1,909 |
| Killarney | 17,985 | 17,698 |
| Miami | 14,292 | 14,422 |
| Morris | <u>6,175</u> | <u>7,973</u> |
| | <u>\$47,301</u> | <u>\$46,286</u> |

STRATEGIC INITIATIVES PROGRAM

| | <u>2017/18</u> | <u>2016/17</u> |
|------------------------------------|-----------------------|-----------------------|
| Overnight purse | 164,500 | 139,600 |
| Breeders | 63,976 | 69,950 |
| Ag Societies | 30,000 | 54,000 |
| MGWHRC admin | <u>15,150</u> | <u>15,907</u> |
| Sub Total | \$273,626 | \$279,457 |
| MHRC Allocation | | |
| Admin | 47,500 | 47,500 |
| Drug Testing | <u>15,000</u> | <u>15,000</u> |
| Sub total | \$62,500 | \$62,500 |
| TOTAL STRATEGIC INITIATIVES | \$336,126 | \$341,957 |

MANITOBA HORSE RACING COMMISSION

Occupational Licenses and Registration for the year ending

| Occupational Licenses | Thoroughbred | | Standardbred | |
|---|-------------------|-------------------|------------------|------------------|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| Owner/Trainer | 60 | 59 | 9 | 13 |
| Trainer | 18 | 16 | 0 | 0 |
| Assistant Trainer | 3 | 4 | 0 | 0 |
| Owner/Trainer/Driver | 0 | 0 | 14 | 15 |
| Owner/Driver | 0 | 0 | 3 | 3 |
| Jockey (1/4 & Amateur incl.) | 21 | 24 | 0 | 0 |
| Apprentice Jockey/Exercise Rider/pony | 55 | 64 | 0 | 0 |
| Driver | 0 | 0 | 3 | 2 |
| Driver/Trainer | 0 | 0 | 0 | 1 |
| Jockey Agent | 6 | 5 | 0 | 0 |
| Officials | 9 | 9 | 4 | 4 |
| Backstretch - occupational | 79 | 74 | 3 | 3 |
| Occ 1 (Assoc., Kit. Sec., test barn etc.) | 74 | 69 | 0 | 0 |
| Occ 2 (Press, daycare etc.) | 123 | 107 | 0 | 0 |
| Occ 3 (Tradesmen, video, emt etc.) | 25 | 35 | 2 | 0 |
| Occ 5 (Veterinarians, etc.) | 4 | 5 | 0 | 0 |
| Vet assistant/Tec | <u>6</u> | <u>8</u> | <u>0</u> | <u>0</u> |
| TOTAL LICENSES ISSUED: | <u>483</u> | <u>479</u> | <u>38</u> | <u>41</u> |

Registrations & Non-Occupational

| | Thoroughbred | | Standardbred | |
|------------------------------|-------------------|-------------------|------------------|------------------|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| Owners | 285 | 314 | 22 | 23 |
| *owners with grooms licences | 14 | 12 | 9 | 7 |
| Sponsored Persons | 42 | 38 | 0 | 0 |
| Partnerships | 123 | 131 | 4 | 6 |
| Stable Names | 82 | 80 | 0 | 1 |
| Colours | 39 | 30 | 0 | 0 |
| Leases | 1 | 0 | 0 | 0 |
| Authorized Agents | <u>122</u> | <u>137</u> | <u>0</u> | <u>0</u> |
| TOTAL NON OCCUPATION | <u>708</u> | <u>742</u> | <u>35</u> | <u>37</u> |

MANITOBA HORSE RACING COMMISSION

| <u>THOROUGHBRED</u> | <u>2017/18</u> | <u>2016/17</u> |
|----------------------------|-----------------------|-----------------------|
| RULINGS STEWARDS | 32 | 37 |
| COMMISSION RULINGS | 2 | |
| FINES | \$4,600.00 | \$5,300.00 |

| <u>STANDARD BRED</u> | <u>2017/18</u> | <u>2016/17</u> |
|-----------------------------|-----------------------|-----------------------|
| RULINGS | 16 | 14 |
| FINES | \$1,000.00 | \$1,425.00 |

**MANITOBA HORSE RACING
COMMISSION**

**Financial Statements
For the year ended March 31, 2018**

MANITOBA HORSE RACING COMMISSION

Financial Statements

For the year ended March 31, 2018

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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Commissioners of MANITOBA HORSE RACING COMMISSION

We have audited the accompanying financial statements of **MANITOBA HORSE RACING COMMISSION**, which comprise the statement of financial position as at March 31, 2018, and the statement of operating revenue and expenses and fund balances and the statement of cash flows for the year then ended, and 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 public sector accounting standards, 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.

Auditor's 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 the auditor's 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, the auditor considers 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 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, these financial statements present fairly, in all material respects, the financial position of the Manitoba Horse Racing Commission as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
July 3, 2018

MANITOBA HORSE RACING COMMISSION
Statement of Financial Position

March 31

2018 2017

| | General Fund | Restricted Funds | | | | | Total | | |
|---|-------------------|---------------------|-----------------------|--------------------------|---------------|------------------|-------------------|-------------------|-------------------|
| | | Capital Assets Fund | Pari-Mutuel Levy Fund | Minister of Finance Fund | Rural Fund | H.B.P.A. Fund | | C.T.H.S. Fund | |
| Assets | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Cash (bank indebtedness) | \$ 94,393 | \$ - | \$ - | \$ 44,299 | \$ 462 | \$ 96,813 | \$ 127,660 | \$ 363,627 | \$ 249,596 |
| Long-term investment (Note 2) | 274,840 | - | - | - | - | - | - | 274,840 | 272,492 |
| Capital assets (Note 3) | - | 7,305 | - | - | - | - | - | 7,305 | 8,633 |
| Receivable from the Province of Manitoba - Pension (Note 4) | 155,772 | - | - | - | - | - | - | 155,772 | 120,897 |
| | 430,612 | 7,305 | - | - | - | - | - | 437,917 | 402,022 |
| | \$ 525,005 | \$ 7,305 | \$ - | \$ 44,299 | \$ 462 | \$ 96,813 | \$ 127,660 | \$ 801,544 | \$ 651,618 |
| Liabilities and Fund Balances | | | | | | | | | |
| Current Liabilities | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 54,710 | \$ - | \$ - | \$ 44,299 | \$ 462 | \$ 96,813 | \$ 127,660 | \$ 323,944 | \$ 232,738 |
| Provision for employee pension benefits (Note 4) | 430,612 | - | - | - | - | - | - | 430,612 | 393,389 |
| | 485,322 | - | - | 44,299 | 462 | 96,813 | 127,660 | 754,556 | 626,127 |
| Fund Balances | | | | | | | | | |
| Unrestricted | 39,683 | - | - | - | - | - | - | 39,683 | 16,858 |
| Invested in capital assets | - | 7,305 | - | - | - | - | - | 7,305 | 8,633 |
| | 39,683 | 7,305 | - | - | - | - | - | 46,988 | 25,491 |
| | \$ 525,005 | \$ 7,305 | \$ - | \$ 44,299 | \$ 462 | \$ 96,813 | \$ 127,660 | \$ 801,544 | \$ 651,618 |

Approved on behalf of the Commission:



Chairman



Controller

MANITOBA HORSE RACING COMMISSION
Statement of Operating Revenue and Expenses and Fund Balances

For the year ended March 31

2018 2017

| | General Fund | Capital Assets Fund | Pari-Mutuel Levy Fund | Minister of Finance Fund | Rural Fund | H.B.P.A. Fund | Restricted Funds | | Total |
|--|------------------|---------------------|-----------------------|--------------------------|----------------|--------------------|------------------|------------------|------------------|
| | | | | | | | C.T.H.S. Fund | Total | |
| Revenue | | | | | | | | | |
| Fees, licenses and fines (Note 5) | \$ 170,891 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 170,891 |
| Grant from Manitoba | | | | | | | | | |
| Agriculture | 156,300 | - | - | - | 273,626 | - | - | - | 429,926 |
| Interest | 364 | - | - | - | - | - | - | - | 364 |
| Pari-mutuel levy | - | - | 2,241,108 | - | - | - | - | - | 2,241,108 |
| Sundry | 146 | - | - | - | - | - | - | - | 146 |
| | 327,701 | - | 2,241,108 | - | 273,626 | - | - | - | 2,842,435 |
| Expenditures | | | | | | | | | |
| General Fund operating expenses (Schedule 1) | 538,023 | - | - | - | - | - | - | - | 538,023 |
| Overnight purse support thoroughbred | - | - | - | 339,547 | - | 1,319,155 | 349,259 | - | 2,007,961 |
| Owners/breeders incentive thoroughbred | - | - | - | - | - | - | - | - | - |
| Quarter Horse support | - | - | - | - | - | - | - | - | - |
| Amortization of capital assets | - | 1,328 | - | - | - | - | - | - | 1,328 |
| Standard rural | - | - | - | - | 273,626 | - | - | - | 273,626 |
| | 538,023 | 1,328 | - | 339,547 | 273,626 | 1,319,155 | 349,259 | - | 2,820,938 |
| Excess (deficiency) of revenue over expenditures for the year | (210,322) | (1,328) | 2,241,108 | (339,547) | - | (1,319,155) | (349,259) | 21,497 | (91,216) |
| Pari-Mutuel Levy Fund transfer | 233,147 | - | (2,241,108) | 339,547 | - | 1,319,155 | 349,259 | - | - |
| Fund balances, beginning of year | 16,858 | 8,633 | - | - | - | - | - | 25,491 | 116,707 |
| Fund balances, end of year | \$ 39,683 | \$ 7,305 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 25,491 | \$ 46,988 |

The accompanying notes are an integral part of these financial statements.

MANITOBA HORSE RACING COMMISSION
Statement of Cash Flows

| For the year ended March 31 | 2018 | 2017 |
|---|--------------------------|--------------------------|
| Cash Flows from Operating Activities | | |
| Excess (deficiency) of revenue over expenditures | \$ 21,497 | \$ (91,216) |
| Amortization of capital assets | 1,328 | 1,328 |
| | <u>22,825</u> | <u>(89,888)</u> |
| Changes in non-cash working capital balances | | |
| Accounts receivable | - | 40 |
| Receivable from Province of Manitoba - pension | (34,875) | (46,194) |
| Prepaid expenses | - | 4,334 |
| Accounts payable and accrued liabilities | 91,206 | 18,299 |
| Deferred revenue | - | (4,320) |
| Provision for employee pension benefits | 37,223 | 48,075 |
| | <u>116,379</u> | <u>(69,654)</u> |
| Cash Flows from Investing Activities | | |
| Net change in investments | <u>(2,348)</u> | <u>(1,881)</u> |
| Increase (decrease) in cash and bank during the year | 114,031 | (71,535) |
| Cash, beginning of year | <u>249,596</u> | <u>321,131</u> |
| Cash, end of year | <u>\$ 363,627</u> | <u>\$ 249,596</u> |

The accompanying notes are an integral part of these financial statements.

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2018

1. Nature of the Organization and Significant Accounting Policies

Nature of the Organization

Manitoba Horse Racing Commission (the "Organization") was established under The Horse Racing Commission Act to govern, direct, control and regulate horse racing and the operations of horse race tracks in Manitoba. The Commission's sustainability is dependent upon on-going financial resources realized through The Horse Racing Commission Act.

The operating expenses of the Commission in excess of revenue derived from its regulatory activities are funded by a grant from Manitoba Agriculture, interest earned on the General Fund, as well as a proportionate share of the Pari-Mutuel Levy according to the Plan for Distribution.

Revenues and expenses related to program delivery and administrative activities of the Commission are reported in the General Fund.

Capital Asset Fund represents the net investment of the Commission in capital assets.

Effective April 1, 1997, Pari-Mutuel Levy Act (the "Act") was enacted. The Act provides for the establishment of a Pari-Mutuel Levy Fund for the promotion of horse racing in Manitoba. The levy is collected by the Commission and distributed in accordance with a Plan For Distribution, as required by the Act.

The Minister of Finance Fund is used for levies deducted and paid to the Minister of Finance as per the Act.

The Rural Fund is used for funding of the rural circuit as well as Quarter Horse racing. Funding for the Rural Fund is provided through a grant from Manitoba Agriculture.

Horsemen's Benevolent Protection Association (H.B.PA) Fund is to be used for overnight purses at Assiniboia Downs. Funding for the H.B.PA Fund is provided through the Pari-Mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

Canadian Thoroughbred Horsemen Society (C.T.H.S) Fund is to be used for breeder's and owner's incentives at Assiniboia Downs. Funding for the C.T.H.S Fund is provided through the Pari-Mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards and include the following significant accounting policies:

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2018

1. Nature of the Organization and Significant Accounting Policies (continued)

Basis of Accounting (continued)

Fund Accounting

The Commission follows the restricted fund method of accounting for contributions, and maintains seven funds: General Fund, Capital Asset Fund, Pari-Mutuel Levy Fund, Minister of Financial Fund, Rural Fund, H.B.PA Fund, and C.T.H.S. Fund.

Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Funding from the Province of Manitoba includes the Commission's share of provisions recorded for unfunded pension liabilities.

Pension Costs

Employees of the Commission are pensionable under the Civil Service Superannuation Act. Pension costs consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the employee pension benefits liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 2014. Actuarial gains and losses are amortized over the average remaining service life of employees, commencing in the year following when the actuarial gain or loss arises.

Measurement Uncertainty (Use of Estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2018

1. Nature of the Organization and Significant Accounting Policies (continued)

Basis of Accounting (continued)

Fund Transfers

i) Capital asset fund transfer

Fund transfers represent allocations from the General Fund to the Capital Asset Fund for capital acquisitions.

ii) Pari-mutuel levy fund transfer

A pari-mutuel levy is collected by the Commission for the promotion of horse racing in Manitoba. The Pari-mutuel Levy Fund is then distributed in accordance with the Plan for Distribution.

Capital Assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

| | |
|------------------------|---------------|
| Security equipment | 10 years |
| Computer equipment | 5 years |
| Furniture and fixtures | 10 - 20 years |

Financial Instruments

The financial instruments of the Commission consist of cash, receivable from the Province of Manitoba - pension, long term investment, and accounts payable and accrued liabilities.

All of the Commission's financial instruments are carried at cost or amortized cost.

If an impairment loss is determined by The Commission and there is no realistic prospect of recovery the financial asset(s) are written down to net recoverable value with the writedown being recognized in the statement of operating revenue and expenses and fund balances.

2. Long-term Investment

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for the pension liability. This payment was placed in an interest bearing trust account on March 31, 2009 and is held on behalf of the Manitoba Horse Racing Commission until the cash is required to discharge the related liabilities. Accordingly, this investment is classified as long term.

MANITOBA HORSE RACING COMMISSION Notes to Financial Statements

For the year ended March 31, 2018

3. Capital Assets

| | 2018 | | | 2017 | | |
|------------------------|------------------|--------------------------|-----------------|------------------|--------------------------|-----------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Security equipment | \$ 13,118 | \$ 11,146 | \$ 1,972 | \$ 13,118 | \$ 9,997 | \$ 3,121 |
| Furniture and fixtures | 7,571 | 7,335 | 236 | 7,571 | 7,285 | 286 |
| Computer equipment | 12,299 | 7,202 | 5,097 | 12,299 | 7,073 | 5,226 |
| | \$ 32,988 | \$ 25,683 | \$ 7,305 | \$ 32,988 | \$ 24,355 | \$ 8,633 |

4. Provision for Employee Pension Benefits

The Commission records the pension liability and the related pension expense, including an interest component, in its financial statements. An actuarial valuation of the employee pension benefit liability as at December 31, 2016 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 6.00% (6.00% in 2015), 2.00% inflation (2.00% in 2015), salary rate increases of 3.75% (3.75% in 2015), discount rate of 6.00% (6.00% in 2015) and post retirement indexing at 2/3 of the inflation rate. The service to date projected benefit method was used and the liabilities have been estimated to March 31, 2018 using a formula provided by the actuary and adjusted for a provision for adverse experience and a trust fund credit.

The Province of Manitoba has accepted responsibility for the pension liability, net of the long-term investment balance. The Commission has therefore recorded an amount recoverable from the Province of Manitoba of \$155,772 (2017 - \$120,897) equal to the estimated value of its actuarially determined liability in its financial statements less the long-term investment balance. The Province makes payments on the receivable when it is determined that the funding is required to discharge the related pension obligation. Total pension expense of \$14,254 (2016 - \$17,407) has been recorded in the statement of operations.

Provision for employer's share of employees' pension plan:

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Accrued benefit obligation, beginning of year | \$ 393,389 | \$ 345,314 |
| Benefits accrued | 26,465 | 12,595 |
| Interest accrued on benefits | 24,908 | 21,956 |
| Benefits paid | (20,312) | (17,962) |
| Experience loss | 7,789 | 33,610 |
| Increase in trust account held by Province of Manitoba | (1,627) | (2,124) |
| Balance, end of year | \$ 430,612 | \$ 393,389 |

MANITOBA HORSE RACING COMMISSION
Notes to Financial Statements

For the year ended March 31, 2018

5. Fees, Licenses and Fines

| | 2018 | 2017 |
|-------------------|-------------------|-------------------|
| Assiniboia Downs | | |
| Daily licenses | \$ 134,865 | \$ 134,865 |
| Fees and licenses | 30,606 | 29,560 |
| Fines | 3,100 | 5,630 |
| | 168,571 | 170,055 |
| Rural Circuit | | |
| Fees and licenses | 1,070 | 1,325 |
| Fines | 1,250 | 1,300 |
| | 2,320 | 2,625 |
| | \$ 170,891 | \$ 172,680 |

6. Financial Instruments

The Commission has exposure to the following risks from its use of financial instruments:

Liquidity Risk

Liquidity risk arises from the possibility of the Commission having insufficient financial resources to meet its financial obligations when they come due. The Commission mitigates this risk through cash management. Accounts payable and accrued liabilities are typically paid when due.

MANITOBA HORSE RACING COMMISSION

Notes to Financial Statements

For the year ended March 31, 2018

6. Financial Instruments (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and long term investment. The interest rate risk on cash and long term investment is considered to be low due to their short term nature and the long term investment is reinvested annually.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Commission to credit risk consist principally of cash, long term investment, accounts receivable and receivable from Province of Manitoba - pension.

Cash is not exposed to significant credit risk as cash is held with a large reputable financial institution.

Long term investment and receivable from Province of Manitoba - pension are not exposed to significant credit risk as both are with the Province of Manitoba.

Accounts receivable is not exposed to significant credit risk as payment in full is typically collected when due. No allowance for doubtful accounts is required.

Foreign Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Commission is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

7. Related Party Transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Commission is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Commission enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

MANITOBA HORSE RACING COMMISSION
Schedule of General and Administrative Expenses

| For the year ended March 31 | 2018 | 2017 |
|---------------------------------------|-------------------|-------------------|
| Commissioners' per diem and honoraria | \$ 5,700 | \$ 8,461 |
| Drug, alcohol and security | 10,128 | 14,211 |
| Employee benefits | 44,790 | 65,593 |
| Equipment and office furniture | 1,299 | 9,747 |
| Insurance | 341 | 2,015 |
| Membership and dues | 5,128 | 816 |
| Office | 21,556 | 11,942 |
| Pension cost | 14,254 | 17,407 |
| Professional fees | 19,911 | 16,014 |
| Repairs and maintenance | - | (5,785) |
| Salaries | | |
| Administration | 206,844 | 174,907 |
| Security | 7,522 | 7,252 |
| Stewards and judges | 115,369 | 126,380 |
| Veterinarian services | 51,129 | 52,912 |
| Support grant | 13,359 | 25,835 |
| Telephone | 11,068 | 11,531 |
| Travel | 9,625 | 10,193 |
| | \$ 538,023 | \$ 549,431 |

MANITOBA HORSE RACING COMMISSION Note to Schedule of Compensation

For the year ended December 31, 2017

Basis of Accounting

Pursuant to Section 2 of The Public Sector Compensation Disclosure Act, the entity shall disclose to the public in accordance with the Act the amount of compensation that it pays or provides in the year directly or indirectly where such compensation equals or exceeds \$50,000 per year. Compensation means compensation pursuant to any arrangement, including an employment contract, calculated to include the total value of all cash and non-cash salary or payments, allowances, bonuses, commissions and perquisites. During the year ended December 31, 2017, the Commission paid the Board members in aggregate \$6,354, of which \$2,941 was paid to the Board Chair. During the fiscal year ended December 31, 2017, the following employees received compensation of wages and taxable benefits of \$50,000 or more:

| <u>Name</u> | <u>Title</u> | | <u>Amount</u> |
|------------------|-------------------------|----|---------------|
| Huber, Larry | Executive Director | \$ | 112,684 |
| Meek, Dr. Joseph | Commission Veterinarian | | 51,130 |

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