

Horse Racing Alberta  
2012 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.

## Chairman's Message

In my first year as Chairman of Horse Racing Alberta, it became clear that our organization's main job is to create the confidence, stability and environment needed to sustain and grow the industry. There are many ways we help to do this, but none is as important as developing a unified direction and purpose among horse racing venues and breed organizations.

As a Board, we continued to work on this goal throughout the year. We hosted our annual gathering in August of industry partners and stakeholders and we receive continuous feedback from various Board representatives. Certainty for racing and race dates and overall communications and transparency have improved.

Of key importance to the racing industry is the opening of an 'A' track in Calgary. After years of delay, it appears such a track just north of Calgary may become operational in 2014. United Horseman of Alberta Inc. (UHA) announced in December they had received \$13M in financing from Century Casinos. This enables them to finish development and open the 5.5 furlong track

and Racing Entertainment Centre adjacent to CrossIron Mills, a major shopping centre.

UHA is in the final stages of obtaining a gaming license from the Alberta Gaming and Liquor Commission. They expect a decision by mid-2013. If all goes well, horse racing will return to the Calgary area after a four year absence. The new track is expected to create hundreds of jobs and hundreds of millions of dollars in economic benefits.

A major Board decision in 2013 was acceptance of the Strategic & Sustainable Development Committee's recommendation to split operation of Off Track Betting (OTB) and Telephone Account Betting (TAB) between Northlands Park in Edmonton and the Rocky Mountain Turf Club in Lethbridge.

*"If all goes well, horse racing will return to the Calgary area after a four year absence."*





For a trial period of one year, all OTB and TAB outlets north of Red Deer will be assigned to Northlands Park and south of Red Deer will be allocated to Rocky Mountain Turf Club. The contracts with operators within Red Deer remain unchanged. It is hoped the change will maximize growth. The impact will be closely monitored during the trial period and reviewed in the last quarter of 2013.

Two new members joined the Board in 2012. In March, Jim Rhodes replaced Bill Andrew as one of the Alberta Standardbred Horse Association's representatives while in April, Brian Alexander took over from Gordon Wilson as the Canadian Thoroughbred Horse Society's representative. We thank Bill and Gordon for their contribution to the horse racing industry and we look forward to working with Jim and Brian.

HRA staff did a great job finding operational efficiencies in 2012. One decision was to close the Calgary office at the end of 2012 and we are confident this budgeting decision will have no negative impact on our various stakeholders. HRA Board members and staff members dedication and commitment to HRA and the industry as a whole is very much appreciated.



**Rick LeLacheur**

HRA Board Chairman

*Alberta's horse racing industry has nearly half a billion dollars in assets and pays more than \$26M in tax revenue each year. This estimate is conservative since it does not include fuel or corporate income taxes.*

## Message from the CEO

HRA undertook an operational review in 2012. The result of this review was a decision to consolidate our operations without reducing access or delivery of services. This was done by reorganizing staff assignments, partnering with groups like the Canadian Thoroughbred Horse Society and Northlands Park to be distribution points for racing applications, and placing more materials on-line.

Closing our Calgary office on December 31 2012 realized an annual savings of more than \$200,000. A plan to reduce our Edmonton office footprint by 1,300 square feet will generate further savings. This will take effect in April 2013.

We were encouraged by the news that the United Horseman of Alberta (UHA) had found the funding necessary to complete their racing complex near Balzac. HRA has spent a considerable amount of time supporting UHA's efforts, particularly in its application to the Alberta Gaming and Liquor Commission for a gaming licence. The loss of racing in the Calgary market in 2009 was a major blow to the industry so UHA's re-entry into that market will be welcome.

As expected, 2012 continued the industry trend towards stabilization. While the overall handle was down, slot revenue was up. Of concern was foreign simulcast, which dropped significantly. It is not clear if 2012 was an anomaly or the start of a trend but with foreign simulcast representing almost 90% of the handle, it's important that this category recover its strength in 2013.

*"Despite the challenges, horse racing in Alberta remains vibrant."*

HRA's Regulatory and Licensing Committee spent 2012 updating the Rules of Racing Handbook. The new Handbook, expected to be published in hardcopy and on-line in May 2013, will be easier to read, use and understand.

After almost 50 years in racing, Al Lennox retired at the end of December. Al had most recently been HRA's Manager of Racing but began his horse racing life as a groom in 1964. Judy Lyons also retired from HRA in 2012 after serving the industry for over 30 years. The horse racing and breeding industry would like to thank Al Lennox and Judy Lyons for their dedication and outstanding years of service. Doug Fenske is HRA's new Manager of Racing.

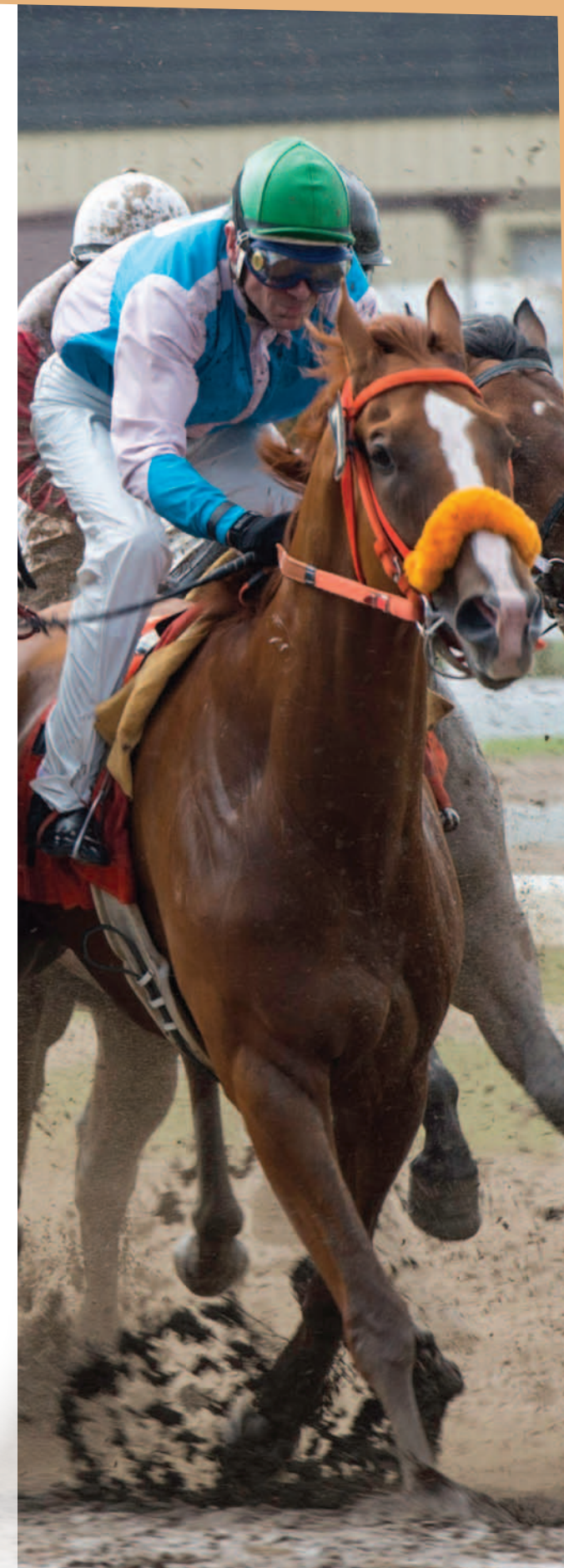
Alberta horse racing had another strong year, with huge crowds attending signature race days like the Fall Classic. Horses trained by Viking's Joan Petrowski went one-two in the Canadian Derby. Beaumont area resident and driver/trainer Kelly Hoerdts was nominated for an O'Brien Award for Horsemanship and Alberta apprentice jockeys Jennifer Reid and Scott Williams were named finalists for a Sovereign Award.

Despite its challenges, horse racing in Alberta remains vibrant. People continue to seek opportunities to be involved as an owner, worker or fan. In 2013, HRA will remain focused on supporting those in industry, communicating the value and benefits of horse racing and advocating for positive change.



**Shirley McClellan**

HRA Chief Executive Officer







*The first horse racing simulcast was run in 1989 at Calgary's Trout Springs Race Track.*

## Governance

HRA is governed by a Board Chairman, eight Directors representing various racetracks and breed organizations, three public-at-large Directors and two government appointed non-voting members.

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

On January 1, 2012, Rick LeLacheur officially took over as chairman of the Board. This three year appointment coincides with an updated business plan that calls for exploring opportunities to stabilize and grow the industry. Mr. LeLacheur's business experience, community involvement and horse racing and breeding background makes him well positioned to take on these challenges in a leadership role.

## 2012 Board of Directors

(as at December 31, 2012)

<b>Rick LeLacheur</b>	Chairman
<b>Bob Giffin</b>	Horsemen's Benevolent and Protective Association representative
<b>Norm Kennedy</b>	Alberta Standardbred Horse Association representative
<b>Jim Rhodes</b>	Alberta Standardbred Horse Association representative
<b>Brian Alexander</b>	Canadian Thoroughbred Horse Society representative
<b>Howard Dixon</b>	Other Breeds representative
<b>David Chalack</b>	"A" track representative
<b>Chris Roberts</b>	"A" track representative
<b>Max Gibb</b>	"B" track representative
<b>Dale Leschiutta</b>	Public representative
<b>John Brennan</b>	Public representative
<b>Peter Bidlock</b>	Public representative
<b>Gill Hermanns</b>	Treasury Board & 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)

## 2012 HRA Committee Chairs

<b>David Chalack</b>	Governance and Compensation Committee
<b>Bob Giffin</b>	Breed Improvement Committee
<b>John Brennan</b>	Audit and Finance Committee
<b>Dale Leschiutta</b>	Strategic and Sustainable Development Committee
<b>Howard Dixon</b>	Regulatory and Licensing Committee

## Operations

Overall revenues for HRA declined by \$231,143 in 2012. Expenses were up from last year by approximately \$323,000, in part due to a significant increase in the number of appealed rulings. This combination led to a small operational deficit for 2012.

In an effort to control costs, HRA closed its Calgary office and is reducing its Edmonton office space. These decisions are expected to generate more than \$200,000 in annual savings without affecting core services.

Racing Entertainment Centres continue to be the main revenue driver for HRA, representing 73.2% of the organization's budget. Thanks to 6% and 8.5% increases in slot revenues respectively at the Rocky Mountain Turf Club and Evergreen Park, HRA's slot revenue stabilized in 2012,

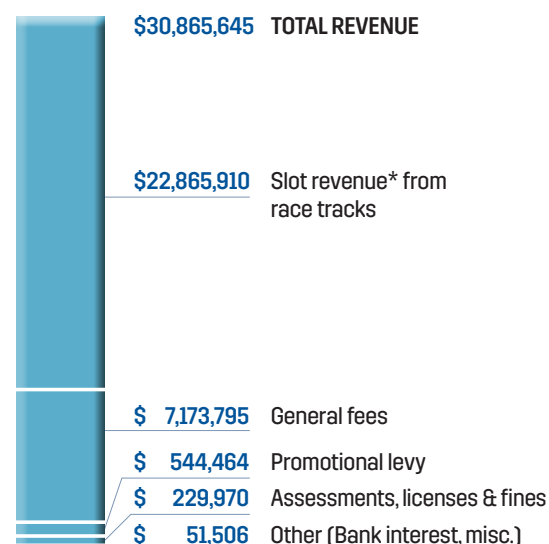
increasing slightly from 2011 and stopping a downward trend experienced over the last three years.

The Thoroughbred handle was down again in 2012, dropping by four percent to \$105.8M. Standardbred and live handle numbers were up slightly but Alberta and foreign simulcast wagering were down from 2011. It is hoped a new business model regarding the operation of Off Track Betting and Telephone Account Betting in Alberta will slow or reverse a decline in simulcast wagering.



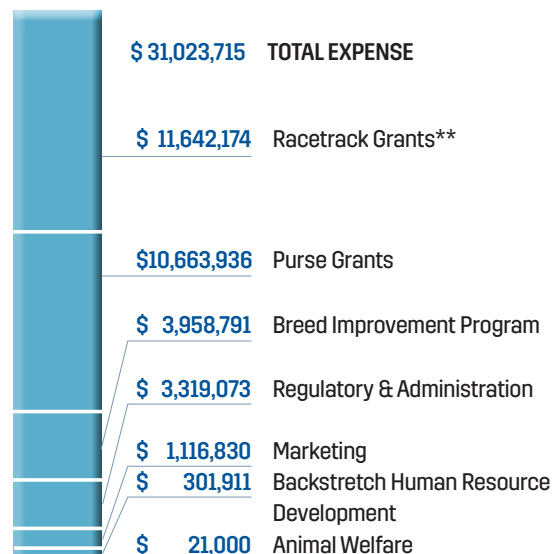
*The economic benefit to Alberta of breeding, raising and racing horses is \$254M per year. Rural communities receive 66% of that benefit.*

## Where the Money Came From: 2012



\* Represents 51.66% of total slot revenue. The remainder goes to Racing Entertainment Centres and the Government of Alberta.

## Where the Money Went: 2012

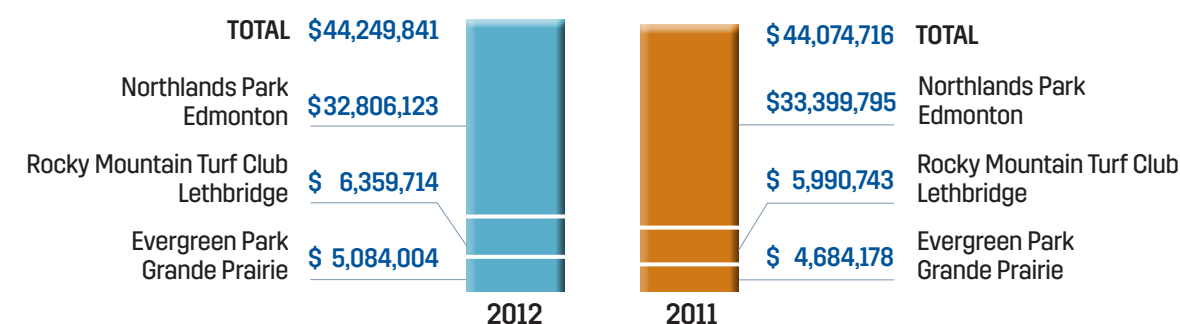


\*\* Racetrack grants are comprised of a percentage of Racing Entertainment Centres revenue, pari-mutuel handle and additional industry support.



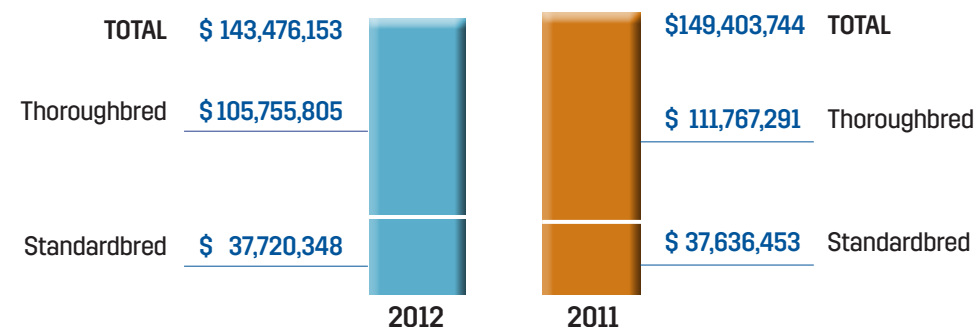
HRA continues to be a net contributor to the Alberta Government, providing \$14.7M in slot revenue to the Alberta Lottery Fund in 2012.

## Slot Revenue: From Racing Entertainment Centres

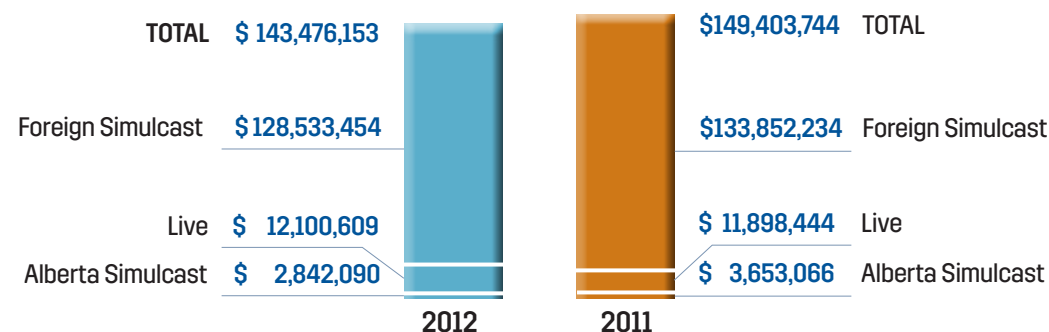


Under a 2002 Government of Alberta agreement called the Racing Industry Renewal Initiative, HRA receives 51.66% of all slot revenue. In 2012, this amounted to \$22.86 million. The Alberta Lottery Fund took in \$14.75 million (33.33%) while Racing Entertainment Centre operators retained 15% or \$6.64 million.

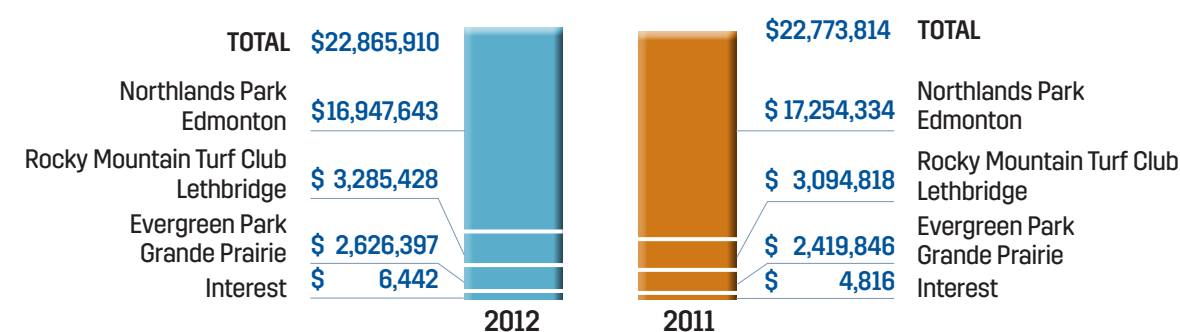
## Handle (by breed)



## Handle (by type)



## Slot Revenue: HRA's Portion





# Regulatory and Appeals

The Regulatory and Licensing Committee updated the Rules of Racing Handbook in 2012 to make it easier to read and simpler to use. It should be available in hardcopy and on-line in May 2013.

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

Its authority is entrenched in the *Horse Racing Alberta Act* and its members are appointed by Alberta’s Minister of Justice and Solicitor General. 2012 Appeals Tribunal members were Dr. Maggie Fulford (Chair), Gordon Graydon and Kelly Budge.

Judges and stewards made 252 rulings in 2012, 52% more than the year before.

## Summary of 2012 Rulings

	Rulings	Race Day	Average Per Day
Thoroughbred Stewards	99	84	1.18
Standardbred Judges	73	101	.72
Community Circuit Judges and Stewards	80	75	1.07
<b>TOTAL</b>	<b>252</b>	<b>260</b>	<b>.97</b>

## Summary of Appeals Heard in 2012

Thoroughbred			
Date	Ruling	Issue	Decision
June 27	27	Disqualification Disqualification Suspension – three days riding	Appeal dropped – suspension to be served Appeal denied – sanctions upheld Appeal denied – sanctions upheld
August 3	45	Suspension – six months and a fine	Appeal denied – sanctions upheld
August 25	70	Suspension – three days riding	Appeal dropped – suspension to be served
September 5	81	Suspension – three days riding	Appeal dropped – suspension to be served
Standardbred			
Date	Ruling	Issue	Decision
February 25	3	Suspension – six months	Appeal denied – sanctions upheld
June 24	27	Fine	Appeal denied – fine upheld
July 18	33	Suspension and fine	Appeal denied – sanctions upheld
Community Circuit			
Date	Ruling	Issue	Decision
August 12	63	Interference	Appeal denied – sanctions upheld
August 6 to 17	28-41 & 8	Suspension and fine	The trainers were dismissed of all charges and any prosecution because the contamination of feed was beyond their control. However, Rule 169 remained in force.
September 8	55	Suspension	Appeal withdrawn
	56	Suspension	Appeal withdrawn
September 17	63	Disqualification	Appeal denied – sanctions upheld



Jockey Jorge Carreno gives a thumbs up after riding Toccetive (3) to a thrilling win over stall mate Doug’s Buddy (centre) in the 2012 Canadian Derby. Both Alberta horses were trained by Viking’s Joan Petrowski.

## 2012 Canadian Derby Produces Dream Race for Alberta Trainer

“The only thing better would have been a dead-heat,” says veteran Alberta trainer Joan Petrowski after her horses placed first and second in the 2012 Canadian Derby run at Northlands Park in Edmonton.

It was the first time a pair of her trainees finished ‘one-two’ in a prestigious race. “I would rank that race in one of my top three of all time.”

Toccetive, ridden by Jorge Carreno and owned by Lyle and Phylis Farkash’s Southview Ag. Ltd., would win the ‘dash for the daisies’ over Doug Blair’s front-running specialist Doug’s Buddy, piloted by Stephan Heiler. BC invader and race favourite Devil In Disguise, owned by North American Thoroughbred Horse Company Inc. and ridden by 2012 Kentucky Derby winning jockey Mario Gutierrez, would finish third in the three-way thriller.

“He was definitely showing signs, as a two-year-old, that had us thinking he’d be making a run for the Derby,” said Petrowski of

Toccetive. “He was maturing more and more coming up to the race and he just happened to be peaking at just the right time. It all worked out perfect for him.”

A trainer for almost 40 years, Petrowski shows no signs of slowing down at the age of 69. The Viking area resident still finds the racing exciting. “Watching those two in last year’s Derby was very exciting. Doug’s Buddy ran his eyeballs out - he ran a huge race, but then came Toccetive and the rest is history.”

It was Petrowski’s second Derby win after scoring with fan-favourite Footprint in 2007. “Footprint is a special horse and always will be,” she said. “Both Footprint and Toccetive... they’re very good horses and I’ll not take anything away from either one of them. Each won a Derby and they both deserve their glory.”

Petrowski employs about fifteen people between the racetrack and her farm in Viking. In 2013, her team will look after approximately 55 horses stabled at the track when thoroughbred racing resumes at Northlands Park.



## HRA Sponsored Program at Olds College Reaps Rewards for Students and Industry

Instructor Theresa Sealy has been involved with the Old College training program for grooms, exercise riders and jockeys since day one. "Groom School began in 2003 and Exercise Rider came along in 2005," she says.

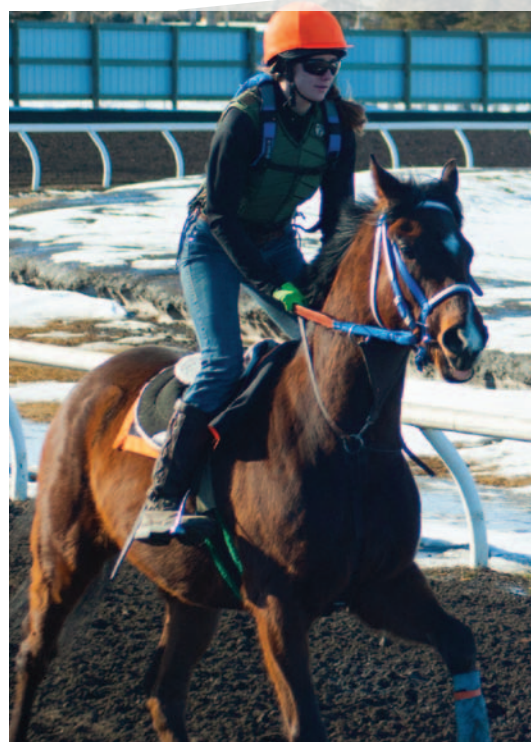
"In the beginning it was racing organizations like HBPA, Horse Racing Alberta and CTHS talking about how they could get qualified people to come and work at the farms and the track. ASHA was supportive from the get-go on the implementation of the Groom School program as well."

Nine years later, the HRA sponsored programs have graduated dozens of people who have made an indelible mark in their chosen professions. Kim Scott (class of '08) won 'Groom of the Year' honours at the Alberta Standardbred Horse Association Awards in 2010 - following her first full year as a groom. Since that time she has become one of the top and most sought after grooms in Alberta.

Omar Moreno (Class of '07) was both a Sovereign Award and Eclipse Award winning 'Apprentice Rider of the Year'. He now rides full-time at Woodbine. Jennifer Reid (Class of '08) and Scott Williams (Class of '09) were both up for the Sovereign Award this year as apprentice riders. Scott won the award. See page 17 for a photo of Scott receiving his award.

Though the programs are very different in many respects, the graduates that move on from these programs are held in high regard in Alberta and elsewhere. "As far as the grooms go - they have always been the unsung heroes. Some of our jockeys have been, and still are, in the spotlight. Those are

*More than \$41M is spent annually on agricultural inputs associated with horse racing. Direct expenses for breeding and raising horses that eventually race is another \$35M each year.*



the ones that we see all the time. Some of our grooms have done really well for themselves. They are in the barns and though we may not see them, you can bet that we're just as proud of them too," commented Sealy.

Kim Scott began working for Standardbred trainer Jamie Gray immediately following her graduation. "I had at least four other offers of employment after graduating from the Groom School but decided to go with Jamie because his farm was close to where I was living."

Scott says that the Groom School program was definitely a stepping stone to where she finds herself today. "People learn so much from that program - even if they don't realize it right away. It provides a fantastic foundation for horsemanship to anyone pursuing a career with race horses."

Omar Moreno agrees. "This program gave me the foundation that I needed. They taught me things that I didn't know. I was very grateful that I was able to come here." Moreno, a former boxer, had never ridden a horse or knew what a jockey was before being introduced to the Olds College program. However, his dedication and the training he received made him one of the most sought after jockeys in North America.

Both programs have become known all over the world with students travelling from as far away as Turkey and Mauritius (an island nation in the Indian Ocean) to attend.

"Students don't come out of the programs as professional grooms or professional exercise riders, but these graduates will be preferred when jobs are made available in horse racing. Once employed, the industry itself gives graduates what they need in order to become successful and become professionals in their field," pointed out Sealy.

She credits the success of the programs to their uniqueness. "We're different than other programs at Olds College. As instructors we actually instruct the students for so many months and then they become our peers in the industry. We'll work with them afterwards and that works out great for all of us."



### Olds College Grads Finalists in Sovereign Awards

Olds College grads Jennifer Reid and Scott Williams were named 2012 Outstanding Apprentice Jockey finalists in the Jockey Club of Canada's 38th annual Sovereign Awards. Scott won the award. Reid began her riding career in 2009 at Northlands Park for trainer Rod Cone. She now races mainly out of Assiniboia Downs in Winnipeg.

She earned a 93-95-53 record from 463 mounts in 2012 with \$798,241 in purse earnings. A highlight during the year was three major wins on then two-year-old filly Arstar, including the \$40,000 CTHS Sales Stakes and the \$50,000 Buffalo Stakes at Assiniboia Downs. She will return to Winnipeg for the summer but not before taking in the Sovereigns in Toronto. "It should be a fabulous time," she predicts.

Williams' win-place-show record in 2012 was an impressive 100-66-77 from 440 starts with \$1,238,621 in earnings. Williams plans on returning to Northlands Park for the 2013 season but is currently galloping horses at Ocala, Florida for Woodbine leading trainer Mark Casse. That move has led to many special opportunities like breezing Breeders Cup starter Northern Passion and 2012 Kentucky Derby entrant Prospective.

Williams has horseracing in his blood. His parents both raced for a number of years and his grandmother Barb Williams is the president of the Thoroughbred Ladies Club of B.C. "Who knows how it will go," says Williams of the Sovereign Award nomination. "I never count my chickens before they hatch. It's just nice to be in the running."

*Thirty-seven students graduated from the Groom and Exercise Rider Schools at Olds College from 2010-2012.*





# Industry and Government Relations

In August of 2012, HRA hosted another roundtable discussion with industry stakeholders regarding current issues and the future of Alberta's horse racing and breeding industry. The input gathered at the annual session was considered in the preparation of HRA's business plan.

In the business plan, HRA reiterates its commitment to stakeholders to offer stability and certainty, particularly regarding race days and purses. It also notes the need to be transparent in operations and decision-making, and to effectively promote and raise awareness of horse racing via advocacy, marketing and communications.

The 2013 – 2015 Business Plan predicts modest industry growth until an 'A' track in the Calgary market becomes operational. To help speed development, HRA has been providing counsel and advice to the United Horseman of Alberta (UHA) regarding provincial information needs, approvals, licenses and permits. HRA has also been talking with provincial authorities about what a return to racing in the Calgary market would mean for the industry and the province as a whole.

UHA is in the final stages of obtaining a gaming licence. A decision by the province on awarding such a licence is expected in mid-2013.



*The total number of Albertans involved in horse racing as owners, employees or in another function is approximately 7,000. Annual employment income in 2011 was \$37M.*

# Human Resource Development and Welfare

Each year, HRA supports hundreds of people who work at racetracks to provide training and education, offer counseling, spiritual support and other services to help overcome barriers that may affect their employment or personal well-being. The Learning Centre on the backstretch at Northlands Park saw 2,016 visits with services ranging from high school upgrading to computer instruction.

The foreign worker program is one initiative that has been tremendously successful. Working closely with Service Canada, it addresses the severe shortage of qualified workers in the Alberta horse racing and breeding industries. It all began in 2005, following contact with a racetrack in Mexico City, when nine Mexican grooms arrived in Edmonton.

From the start it was clear the grooms were both experienced and knowledgeable but overcoming language, culture and other barriers proved to be significant challenges. HRA instituted programs to help overcome these obstacles, such as offering Spanish

lessons and English as a second language courses right in the backstretch. Over time, the grooms and their respective employers worked through the issues. It did not take long for other employers to notice how hardworking and dependable the foreign workers were. Requests for foreign workers grew.

To help meet demand, HRA staff developed expertise in the foreign worker application process. It now assists more than 40 employers with their requests. In 2013, the program will enable foreign workers to fill 105 grooms and 15 exercise rider positions.

The program works in concert with the Exercise Rider School and the Groom School at Olds College. This helps smooth the path for students from other countries to enrol in the school and later, to work in the industry in Alberta. HRA is investigating possible expansion of the foreign worker program to meet the demand for track valets and gate crew.

## Alberta Purses

	HRA Grant		Breed Improvement Program*		Total Purses (provided by HRA)	
	2012	2011	2012	2011	2012	2011**
Thoroughbred	\$4,769,317	\$4,769,317	\$1,959,000	\$1,944,000	\$6,728,317	\$6,713,317
Standardbred	3,453,000	3,551,783	1,040,000	1,040,000	4,493,000	4,591,783
Community Circuit	2,441,618	2,354,538	369,750	369,749	2,811,368	2,724,287
<b>Totals</b>	<b>\$10,663,935</b>	<b>\$10,675,638</b>	<b>\$3,368,750</b>	<b>\$3,353,749</b>	<b>\$14,032,685</b>	<b>\$14,029,387</b>

\* Estimated money available from the 2012 Breed Improvement Program. Total program investment in 2012 was \$3,958,791.  
 \*\* Does not include industry contribution totals. Beginning in 2012, purses only include the HRA Grant and the Breed Improvement Program estimated contribution.



# Marketing

HRA marketing is done in partnership with the horse racing and breeding industry to actively market and promote Alberta horse racing.

A fourth consecutive year of budget constraints forced the industry to make more tough decisions on where to allocate limited marketing dollars. HRA increased its commitment to all Alberta racetracks in 2012, by reassigning branding dollars to the tracks and horsemen. These dollars helped market live racing/special event programs in an attempt to drive attendance and handle. Additional funds were made available to tracks based on performance criteria such as brand management and innovative incentives.

The Canadian Derby was broadcast live on CTV Alberta and British Columbia. HRA believes strongly that a prerequisite for increasing the awareness and popularity of horse racing, as both a sport and

entertainment, is to place horse racing prominently on television. The 2012 presentation of the Canadian Derby won the Jockey Club of Canada's prestigious Sovereign Award for Broadcast of the Year in Canadian racing.

HRA continued a Public Service Campaign to assist Albertans in understanding the contributions and economic impact of the industry across the province. The HRA website will continue to fulfill the website goals of providing regulatory, breeding, operational, marketing and governance information but will expand to ask for industry feedback in appropriate and current matters. The website will continue to post racing stories to keep participants informed.

# Animal Welfare

Regular testing of horses prior to or immediately after a race is one of the ways HRA ensures the health of animals used in competition.

Horsemen fully support this as it emphasizes the importance they place on the welfare of animals in their care. In 2012, 3,951 drug tests for medication abuse and 983 tests for Total Carbon Dioxide (TCO2) were conducted. There were 12 medication positives but nine were a result of contaminated commercial feed. The trainers were unaware that the feed was contaminated and were therefore not responsible for the positive tests.

## Animal Testing - 2012

	Medication		TCO2	
	Tests	Positives	Tests	Positives
Thoroughbred	1,423	2	630	0
Standardbred	1,831	2	267	0
Community Circuit	697	8	86	0
Total	3,951	12	983	0

# Breeding

## Average Yearling Sale Prices

	2012	2011	2010
Thoroughbred	\$8,560	\$8,469	\$5,389
Standardbred	\$4,807	\$6,242	\$5,804
Quarter Horse	\$3,205	\$4,040	\$3,538

## Breed Improvement Program Investments

	2012	2011	2010
Thoroughbred	\$2,271,739	\$2,253,628	\$2,517,945
Standardbred	\$1,247,052	\$1,266,000	\$1,526,341
Quarter Horse	\$440,000	\$439,999	\$499,431
Total	\$3,958,791	\$3,959,627	\$4,543,717

# 2012 Award Winners

## Sovereign Awards



### Outstanding Apprentice Jockey

Scott Williams (right), an Olds College exercise rider graduate, was presented with the prestigious award by Robert King, general manager of the Jockeys' Benefit Association of Canada.



### Outstanding Digital Audio/Visual Broadcast

The award to Horse Racing Alberta and White Iron Productions was presented to Horse Racing Alberta's Theresa Sealy (left) by Dianne Denby, Advertising Director of Horse Publications Group.

## Alberta Standardbred Association

Award Category	Winner	Owner
Two-Year-Old Filly	Beach Baby	Donald Richardson
Two-Year-Old Alberta Sired Filly	Crackers Hot Shot	Rod Starkewski
Two-Year-Old Colt/Gelding	Beren Hanover	Keith Clark/Robert Jones
Two-Year-Old Alberta Sired Colt/Gelding	Premium Attraction	Kelly Hoerd/Blair Corbeil
Three-Year-Old Filly	Phone Terror	Melissa, Claudine & Serge Masse
Three-Year-Old Alberta Sired Filly	Credit Card Junkie	Keith Clark/Doris McDougall/Verne Rea
Three-Year-Old Colt/Gelding	No Fear	William Andrew/ George Rogers/Jim Macphail
Three-Year-Old Alberta Sired Colt/Gelding	Smooth Criminal	Willie Wychopen/Walter Moroz
Aged Horse	Timberline Court	Lynn Kowalevsky/Gerry Hudon
Aged Mare	River Lass	Blair Corbeil/Kelly Hoerd
Claimer under \$10,000	Big Bang Theory	Gerry & Monica Hudon/Lynn Kowalevsky
Claimer over \$10,000	Baby You Save Me	Andrew Scott
Groom of the Year	Janine Lutz	
Trainer of the Year	Kelly Hoerd	
Trainer of the Year under 200 Starts	Doug Stout	
Driver of the Year	Jamie Gray	
Driver of the Year under 200 Starts	Travis Cullen	
Horse of the Year	Timberline Court	
Horseperson of the Year	Kelly Hoerd	
Owners of the Year	Kelly Hoerd/Blair Corbeil	
Breeder of the Year	Outlaw Stable	
Breeders Award of Recognition	Neil Adler	



2012 Award Winners

Alberta Thoroughbred Association

Category	Sponsor/Trophy	Winner
Champion Claimer	H.B.P.A. Trophy	Shanghi Charlie
Champion Sprinter	Schanks International Trophy	Ready Racer
Champion Two Year Old Filly	Roy McLellan Trophy	Tell Me Lies
Champion Two Year Old Colt	Rocky Mountain Turf Club Trophy	Hollywood Drama
Champion Three Year Old Filly	Paddockhurst Stables Trophy	Madeira Park
Champion Three Year Old Colt	Galileo Equine Insurance Trophy	Toccative
Champion Older Mare	Moore and Company Trophy	Heidi Maria
Champion Older Horse	Northlands Park Trophy	Commander
Horse of the Year	Horse Racing Alberta Trophy	Toccative
Leading Jockey	Lou Davies Memorial Trophy	Rico Walcott
Leading Breeder	C.T.H.S. Trophy	Bar None Ranches Ltd.
Leading Trainer	H.B.P.A. Trophy	Ron Grieves
Champion Alberta-Bred	Ted Connor Trophy	Hollywood Drama
Horse Person of the Year	Ken Cohoe Trophy	Dale Saunders
Leading Owner	Jockey Club of Canada Trophy	Bar None Ranches Ltd.

Alberta Community Thoroughbred Racing Association

Category	Winner
3 Year Old Alberta Bred Filly	Dippers Appeal
3 Year Old Alberta Bred Male	Little Einstein
Alberta Bred Older Female	Needlestick
Alberta Bred Older Male	Starpone
Alberta Bred Aged Mare	Lot A Smoke
Alberta Bred Claiming Female	Needlestick
Alberta Bred Aged Male	Supreme Reign
Alberta Bred Claiming Male	Again And Gone
Alberta Bred Champion Male	Little Einstein
Alberta Bred Champion Female	Needlestick
Alberta Breeder	Bar None Ranches Ltd.
ACTRA Claiming Female	Lynns Lily
ACTRA Claiming Male	Pacific Storm Cat
ACTRA Sprint Female	Needlestick
ACTRA Sprint Male	Dubla Gold
ACTRA Older Female	Lot A Smoke
ACTRA Older Male	Churchbridge
ACTRA Distance Horse	Starpone
High Point Female	Needlestick
High Point Male	Dubla Gold
RMTC Spring Meet Leading Trainer	Lyle Magnuson
RMTC Fall Meet Leading Trainer	Rick Wiest
Grande Prairie Leading Trainer	Wanda Halerwich
Most Supportive Trainer	Lyle Magnuson
Trainer of the Year	Wanda Halerwich
Jockey of the Year	Larris Allen
ACTRA Champion	Dubla Gold
ACTRA Special Award	Garry Allison



Horse Racing Alberta  
Financial Statements

Year ended December 31, 2012



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**Chartered Accountants**  
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Canada

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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, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Horse Racing Alberta as at December 31, 2012, 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.

### Comparative Information

Without modifying our opinion, we draw attention to Note 1(a) to the financial statements which describes that Horse Racing Alberta adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011 and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures. We are not engaged to report on the restated comparative information, and as such, it is considered unaudited.

**KPMG LLP**

**Chartered Accountants**  
**April 9, 2013**  
**Edmonton, Canada**

## HORSE RACING ALBERTA

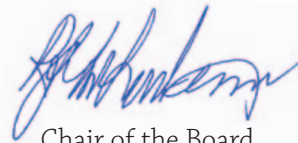
## Statement of Financial Position

December 31, 2012, with comparative information for December 31, 2011 and January 1, 2011.

	December 31, 2012	December 31, 2011 (Unaudited)	January 1, 2011 (Unaudited)
<b>Assets</b>			
Current assets:			
Cash	\$ 1,582,248	\$ 168,134	\$ 264,326
Accounts receivable (note 2)	674,505	1,024,790	1,223,271
Receivable from the Province of Alberta (note 3)	1,823,427	1,858,386	1,686,372
Prepaid expenses	48,610	56,051	47,897
Current portion of loan receivable (note 4)	110,254	104,810	102,087
	4,239,044	3,212,171	3,323,953
Loan receivable (note 4)	386,565	460,068	496,819
Capital assets (note 5)	19,702	30,549	44,977
	<b>\$4,645,311</b>	<b>\$ 3,702,788</b>	<b>\$ 3,865,749</b>
<b>Liabilities and Fund Balances</b>			
Current liabilities:			
Accounts payable and accrued liabilities (note 6)	\$ 957,867	\$ 505,340	\$ 586,406
Racetrack grants payable	3,025,331	2,377,265	2,855,615
	3,983,198	2,882,605	3,442,021
Net assets:			
Invested in capital assets	19,702	30,549	44,977
Unrestricted	642,411	789,634	378,751
	662,113	820,183	423,728
Commitments (note 10)			
	<b>\$4,645,311</b>	<b>\$ 3,702,788</b>	<b>\$ 3,865,749</b>

See accompanying notes to financial statements.

On behalf of the Board:

  
Chair of the Board



Chair of the Audit and Finance Committee



## Statement of Operations

Year ended December 31, 2012, with comparative information for 2011

	2012 Budget (Unaudited)	2012 Actual	2011 Actual (Unaudited)
Revenues			
General fees	\$ 8,283,636	\$ 7,718,259	\$ 8,022,006
Racing Industry Renewal Initiative revenues (note 3)	22,748,315	22,865,910	22,773,814
Other racing revenues	279,345	229,970	233,851
Interest	50,000	45,203	45,582
Other Revenues	20,000	6,303	21,535
	31,381,296	30,865,645	31,096,788
Expenditures			
Purse Support Grants			
Thoroughbred	4,769,318	4,769,318	4,769,317
Standardbred	3,453,438	3,453,000	3,551,783
Community	2,494,810	2,441,618	2,354,538
	10,717,566	10,663,936	10,675,638
Breed Improvement Program			
Thoroughbred	2,294,000	2,271,739	2,253,628
Standardbred	1,266,000	1,247,052	1,266,000
Community	440,000	440,000	439,999
	4,000,000	3,958,791	3,959,627
Racetrack grants, Schedule 1	11,609,796	11,642,174	11,484,598
Marketing and Promotion, Schedule 2	1,350,000	1,116,830	1,047,522
Regulatory and Administration, Schedule 3	3,182,146	3,319,073	2,994,766
Human resource development	316,912	301,911	293,182
Emerging projects and programs	150,000	-	225,000
Animal welfare	33,400	21,000	20,000
	16,642,254	16,400,988	16,065,068
	31,359,820	31,023,715	30,700,333
<b>Excess (deficiency) of revenue over expenditures</b>	<b>\$ 21,476</b>	<b>\$ (158,070)</b>	<b>\$ 396,455</b>

See accompanying notes to financial statements.

## Statement of Changes in Net Assets

Year ended December 31, 2012, with comparative information for 2011

	Invested in capital assets	Unrestricted	Total 2012
Balance, beginning of year	\$ 30,549	\$ 789,634	\$ 820,183
Deficiency of revenue over expenditures	(12,647)	(145,423)	(158,070)
Investment of capital assets	1,800	(1,800)	-
<b>Balance, end of year</b>	<b>\$ 19,702</b>	<b>\$ 642,411</b>	<b>\$ 662,113</b>

	Invested in capital assets	Unrestricted	Total 2011 (Unaudited)
Balance, beginning of year	\$ 44,977	\$ 378,751	\$ 423,728
Excess (deficiency) of revenue over expenditures	(14,428)	410,883	396,455
<b>Balance, end of year</b>	<b>\$ 30,549</b>	<b>\$ 789,634</b>	<b>\$ 820,183</b>

See accompanying notes to financial statements.

## Statement of Cash Flows

Year ended December 31, 2012, with comparative information for 2011

	2012	2011 (Unaudited)
Cash flows from operating activities:		
Cash received:		
General fees	\$ 8,068,544	\$ 8,220,487
Racing Industry Renewal Initiative	22,900,870	22,601,800
Other racing renewal	229,970	233,851
Interest and other revenue	6,315	21,567
Cash paid:		
Purse support grants	(10,663,936)	(10,675,638)
Breed improvement program	(3,958,791)	(3,959,627)
Racetrack grants	(10,994,108)	(11,962,948)
Marketing and promotion	(1,116,830)	(1,047,522)
Regulatory and administration	(2,833,209)	(3,039,980)
Other operating expenses	(322,911)	(538,182)
	1,315,914	(146,192)
Investing:		
Purchase of capital assets	(1,800)	-
Repayment of loans receivable	100,000	50,000
	98,200	50,000
Increase (decrease) in cash	1,414,114	(96,192)
Cash, beginning of year	168,134	264,326
<b>Cash, end of year</b>	<b>\$ 1,582,248</b>	<b>\$ 168,134</b>

See accompanying notes to financial statements.

## Notes to Financial Statements

Year ended December 31, 2012

### Nature of operations:

Horse Racing Alberta (the "Corporation") 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 corporation is a non-profit organization as defined in Section 149(1)(I) of the Income Tax Act and is exempt from income taxes. The Corporation 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 have been prepared in accordance with Canadian standards for not for profit (ASNPO). On January 1, 2011 the Corporation adopted ASNPO being Part III of the CICA Handbook – Accounting. These are the first financial statements prepared in accordance with ASNPO. The Corporation previously issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by Part V of the CICA Handbook – Accounting.

In accordance with the transitional provisions in ASNPO, the Corporation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying ASNPO.

The effects of adopting ASNPO resulted in no change to net assets as at January 1, 2011 or the comparative excess of revenues over expenditures and cash flows presented in these financial statements.

#### (b) Capital asset:

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 Corporation'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



## Notes to Financial Statements (continued)

Year ended December 31, 2012

## 1. Significant accounting policies (continued):

## (c) Revenue recognition:

The Corporation 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 are recognized when the services are provided or the goods are sold.

## (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.

## (e) Use of estimates:

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

## 2. Accounts receivable:

	December 31, 2012	December 31, 2011 (Unaudited)	January 1, 2011 (Unaudited)
Trade receivables	\$ 629,608	\$ 968,911	\$ 1,165,282
GST receivable	45,897	56,279	57,989
	675,505	1,025,190	1,223,271
Less allowance for doubtful accounts	(1,000)	(400)	-
	<b>\$674,505</b>	<b>\$1,024,790</b>	<b>\$1,223,271</b>

## Notes to Financial Statements (continued)

Year ended December 31, 2012

## 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:

	2012	2011 (Unaudited)
Deferred revenue, beginning of the year	\$ -	\$ -
Flow through amounts from the Province of Alberta during the year	22,859,468	22,768,998
Interest received on deferred revenue	6,442	4,816
Amount recognized as Racing Industry Renewal Initiative revenues in the year	(22,865,910)	(22,773,814)
<b>Deferred revenue, end of period</b>	<b>\$ -</b>	<b>\$ -</b>

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

The receivable from the Province of Alberta at December 31, 2012 is \$1,823,427 (December 31, 2011 \$1,858,386, January 1, 2011 \$1,686,372).

## 4. Loans receivable:

	December 31, 2012	December 31, 2011 (Unaudited)	January 1, 2011 (Unaudited)
Grande Prairie Regional Agricultural & Exhibition Society, non interest bearing and unsecured	\$ 496,819	\$ 564,878	\$ 598,906
Less current portion	(110,254)	(104,810)	(102,087)
	<b>\$386,565</b>	<b>\$460,068</b>	<b>\$496,819</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 Corporation approved an amendment to the loan agreement regarding repayments based on a sliding scale contingent on Evergreen Park slot revenue performance. As a result, the projected 2011 principal repayment of \$150,000 was reduced to \$50,000 based on the aforementioned sliding scale and the \$100,000 difference was added to repayments for 2016. This change in the expected timing of future cash flows, represented an adverse change in cash flow and the loan receivable was considered to be impaired. As such the carrying value of the loan was reduced by \$29,576.

## Notes to Financial Statements (continued)

Year ended December 31, 2012

## 4. Loans receivable (continued):

Similarly, in 2012, the sliding scale contingent result in a reduction to \$100,000 from \$150,000 and the \$50,000 was added to repayments in 2016 resulting in an impairment in 2012 of \$13,249 (2011 \$29,576).

Interest revenue includes \$45,190 (2011 \$45,550) related to the amortization of the fair value discount.

	Total receivable	Unamortized discount and valuation allowance	Principal due
2013	\$ 150,000	\$ 39,746	\$110,254
2014	150,000	30,925	119,075
2015	150,000	21,399	128,601
2016	150,000	11,111	138,889
	<b>\$600,000</b>	<b>\$103,181</b>	<b>\$496,819</b>

## 5. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Office equipment and furniture	\$ 188,977	\$172,666	\$16,311
Computer hardware and software	77,251	75,938	1,313
Leasehold improvements	18,914	16,836	2,078
	<b>\$285,142</b>	<b>\$265,440</b>	<b>\$19,702</b>
December 31, 2011	Cost	Accumulated amortization	Net book value (Unaudited)
Office equipment and furniture	\$188,977	\$162,995	\$25,982
Computer hardware and software	76,308	74,769	1,539
Leasehold improvements	18,058	15,030	3,028
	<b>\$283,343</b>	<b>\$252,794</b>	<b>\$30,549</b>
January 1, 2011	Cost	Accumulated amortization	Net book value (Unaudited)
Office equipment and furniture	\$188,977	\$153,151	\$35,826
Computer hardware and software	76,308	71,991	4,317
Leasehold improvements	18,058	13,224	4,834
	<b>\$283,343</b>	<b>\$238,366</b>	<b>\$44,977</b>

Amortization for the year was \$12,647 (2011 \$14,428).

## 6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$25,010 (December 31, 2011 \$16,979, January 1, 2011 \$nil), which includes amounts payable for GST and payroll related taxes.

## Notes to Financial Statements (continued)

Year ended December 31, 2012

## 7. Compensation:

## Year ended December 31, 2012

	Positions	Base salary (1)	Other cash benefit (2)	Other non-cash benefits (3)	Total Dec. 31, 2012
Chair	1.0	\$ 60,000	\$ 9,650	\$ 3,483	\$ 73,133
CEO	1.0	210,000	-	21,403	231,403
CFO	1.0	155,758	9,410	17,915	183,083
Board of Directors	13.0	-	38,600	367	38,967
Managers:					
Racetrack and administration	3.0	266,128	73,413	31,344	370,885
Non managers:					
Racetrack	16.0	628,287	80,783	83,538	792,608
Administration	3.0	81,934	-	20,301	102,235
	<b>38.0</b>	<b>\$1,402,107</b>	<b>\$211,856</b>	<b>\$178,351</b>	<b>\$1,792,314</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 Corporation'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.

## Year ended December 31, 2011

	Positions	Base salary (1)	Other cash benefit (2)	Other non-cash benefits (3)	Total Dec. 31, 2011 (Unaudited)
Chair (4)	0.4	\$ 87,500	\$ 23,423	\$ 8,167	\$ 119,090
Acting Chair (4)	0.6	-	18,400	-	18,400
CEO (5)	0.6	122,500	-	12,588	135,088
COO (6)	-	-	-	708	708
CFO	1.0	150,041	-	14,487	164,528
Board of Directors	7.4	-	40,600	-	40,600
Managers:					
Racetrack and administration	3.0	259,613	16,073	16,938	292,624
Non managers:					
Racetrack	15.0	626,357	-	76,943	703,300
Administration	3.0	95,508	-	23,551	119,059
	<b>31.0</b>	<b>\$1,341,519</b>	<b>\$ 98,496</b>	<b>\$153,382</b>	<b>\$1,593,397</b>



## Notes to Financial Statements (continued)

Year ended December 31, 2012

**7. Compensation (continued):**

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include bonuses, vacation payments, honoraria, overtime and lump sum payments including severance.
- (3) Other non cash benefits include the Corporation'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.
- (4) An Acting Chair was appointed by the Board effective June 1, 2011. A new, permanent Chair was elected by the Board on November 26, 2011, effective January 1, 2012.
- (5) Effective June 1, 2011 the position of Chief Executive Officer was filled by the former Chair.
- (6) The Chief Operating Officer ceased employment December 31, 2010, with health benefits continued until January 31, 2011. The Chair was Acting COO from January 1, 2011 to May 31, 2011 however no additional compensation was paid.

**8. Licensing:**

A ten year provisional license was issued to United Horseman of Alberta Inc. for the Calgary area which expires on December 31, 2016.

A one year conditional race track license was granted to Alberta Downs Horse Racing for the Lacombe area effective March 1, 2011 and in November, 2011 a further six month extension was granted. On March 22, 2012, a ten year license was issued, which expires on March 31, 2022.

**9. Trust funds:**

The Corporation collects and disburses trust funds related to the simulcast handle in the Calgary market area on behalf of Alberta Standardbred Horse Association (ASHA).

At December 31, 2012 the Corporation held \$55,817 (December 31, 2011 \$110,916, January 1, 2011 \$90,049) of cash in trust for ASHA under a one year agreement effective January 1, 2010 between Rocky Mountain Turf Club (RMTC), ASHA and the Corporation. The funds are disbursed at the sole discretion of ASHA. The agreement was renewed in 2011 and 2012 and can be renewed for 2013 on the same terms.

An agreement effective May 1, 2010 between RMTC, HBPA and the Corporation directed that funds previously remitted by RMTC to the Corporation now be remitted directly to HBPA. The agreement was renewed in 2011 and 2012 and can be renewed for 2013 on the same terms.

**10. Commitments:**

The rental agreement for the office space in Calgary expired December 31, 2012. The rental agreement was not renewed. The Corporation rents office premises in Edmonton, expiring March 31, 2013. An agreement has been signed extending the lease to March 31, 2018. The Corporation is responsible for its proportionate share of property taxes and building operating costs for the leased premises. The Corporation also has automotive and office equipment under operating leases through to 2014 as well as a regulatory contract with Televue Racing Patrol of Canada through to March 2016.

## Notes to Financial Statements (continued)

Year ended December 31, 2012

**10. Commitments continued:****Annual payments are as follows:**

2013	\$ 462,525
2014	444,344
2015	445,313
2016	190,929
2017	158,072
	<b>\$1,701,183</b>

**11. Financial risks and concentration of risk:***(a) Liquidity risk:*

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation 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 2011.

*(b) Credit risk:*

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to the accounts receivable and loan receivable. The Corporation has 67% (2011 70%) of its trade accounts receivable outstanding with one counterparty operating in the gaming and horse racing industry. The Corporation assesses, on a continuous basis, accounts receivable and loan receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

## Schedule 1 – Racetrack Grants

Year ended December 31, 2012, with comparative information for 2011

	<b>2012 Budget (Unaudited)</b>	<b>2012 Actual</b>	<b>2011 Actual (Unaudited)</b>
Northlands Park	\$ 8,633,412	\$ 8,447,577	\$ 8,600,447
Lacombe	1,200,000	1,170,000	1,040,000
Rocky Mountain Turf Club	1,079,358	1,165,736	1,098,103
Grande Prairie Regional Agricultural Society	677,026	838,861	726,048
Millarville	20,000	20,000	20,000
	<b>\$11,609,796</b>	<b>\$11,642,174</b>	<b>\$11,484,598</b>

Schedule 2 – Marketing and Promotion

Year ended December 31, 2012, with comparative information for 2011

	2012 Budget (Unaudited)	2012 Actual	2011 Actual (Unaudited)
Direct marketing and promotion	\$ 690,000	\$ 498,963	\$ 519,945
Internal marketing, public and media relations	520,000	455,621	386,175
Live race broadcasting	140,000	162,246	141,402
	<b>\$1,350,000</b>	<b>\$1,116,830</b>	<b>\$1,047,522</b>

Schedule 3 – Regulatory and Administration

Year ended December 31, 2012, with comparative information for 2011

	2012 Budget (Unaudited)	2012 Actual	2011 Actual (Unaudited)
Compensation (note 7)	\$ 1,804,908	\$ 1,792,314	\$ 1,593,397
Contractors	216,000	315,671	229,562
Photo finish and video patrol	220,000	235,678	219,416
Legal, consulting and audit fees	158,388	221,593	181,261
Office rent and operating costs	216,635	201,068	204,027
Travel	210,000	196,634	200,187
Office and administration	155,625	122,712	139,880
Appeal tribunal	18,810	57,818	30,550
Telephone	43,610	43,621	42,351
Other	26,000	38,668	33,827
Insurance	34,980	30,542	31,534
Memberships	18,540	19,506	19,739
Loan impairment (note 4)	-	13,249	29,576
Amortization	13,700	12,647	14,428
Toxicology	20,000	6,469	14,416
Committee expenses	10,950	6,256	5,000
Meetings and seminars	10,000	4,627	5,514
Racetrack licensing expense	4,000	-	101
	<b>\$3,182,146</b>	<b>\$3,319,073</b>	<b>\$2,994,766</b>

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**THE HORSES**  
HORSE RACING ALBERTA