

Financial statements of

**Central Ontario
Standardbred Association**

June 30, 2013 and June 30, 2012

Central Ontario Standardbred Association

June 30, 2013 and June 30, 2012

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Independent Auditor's Report

To the Directors of
Central Ontario Standardbred Association

We have audited the accompanying financial statements of Central Ontario Standardbred Association (the "Association"), which comprise the statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, and the statements of operations and net assets and of cash flows for the years ended June 30, 2013 and June 30, 2012, 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits 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 the Association as at June 30, 2013, June 30, 2012 and July 1, 2011 and the results of its operations, changes in net assets, and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
October 8, 2013

Central Ontario Standardbred Association

Statements of operations and net assets
years ended June 30, 2013 and June 30, 2012

| | 2013 | 2012 |
|---|----------------|----------------|
| | | (Note 2) |
| | \$ | \$ |
| Revenue | 839,837 | 865,372 |
| Expenses | | |
| Groom and member assistance | 265,128 | 328,450 |
| Salaries and benefits | 213,571 | 207,602 |
| General office administration | 91,740 | 89,794 |
| Professional services | 31,619 | 84,093 |
| Marketing | 32,793 | 57,152 |
| Insurance | 44,795 | 47,627 |
| Association dues | 20,323 | 40,648 |
| Contributions to industry groups | 32,126 | 19,823 |
| Amortization | 16,335 | 16,738 |
| Membership | 5,209 | 5,164 |
| Interest on obligation under capital lease | 130 | 131 |
| | 753,769 | 897,222 |
| Excess of revenue over expenses (expenses over revenue) | 86,068 | (31,850) |
| Net assets, beginning of the year | 151,145 | 182,995 |
| Net assets, end of year | 237,213 | 151,145 |

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

Central Ontario Standardbred Association

Statements of financial position

as at June 30, 2013, June 30, 2012 and July 1, 2011

| | June 30, 2013 | June 30, 2012 (Note 2) | July 1, 2011 (Note 2) |
|--|------------------|------------------------------|-----------------------------|
| | \$ | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash | 107,311 | 32,351 | 51,244 |
| Term deposit | 5,582 | 5,455 | 5,251 |
| Accounts receivable | 120,977 | 90,661 | 91,468 |
| Prepaid expenses | 8,217 | 15,301 | 20,025 |
| | <u>242,087</u> | <u>143,768</u> | <u>167,988</u> |
| Capital assets (Note 4) | 18,450 | 34,785 | 51,523 |
| | <u>260,537</u> | <u>178,553</u> | <u>219,511</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 14,228 | 13,442 | 17,945 |
| Government remittances payable | 4,210 | 4,194 | 3,913 |
| Current portion of obligation under capital lease (Note 5) | 4,886 | 4,886 | 4,886 |
| | <u>23,324</u> | <u>22,522</u> | <u>26,744</u> |
| Obligation under capital lease (Note 5) | - | 4,886 | 9,772 |
| | <u>23,324</u> | <u>27,408</u> | <u>36,516</u> |
| Net assets | <u>237,213</u> | <u>151,145</u> | <u>182,995</u> |
| | <u>260,537</u> | <u>178,553</u> | <u>219,511</u> |

Approved by the Board

Bill O'Donnell Director

Harold Brown Director

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

Central Ontario Standardbred Association

Statements of cash flows
years ended June 30, 2013 and June 30, 2012

| | 2013 | 2012 |
|---|----------------|-----------------|
| | \$ | (Note 2) \$ |
| Operating activities | | |
| Excess of revenue over expenses (expenses over revenue) | 86,068 | (31,850) |
| Item not affecting cash | | |
| Amortization | 16,335 | 16,738 |
| Change in non-cash operating working capital items: | | |
| Term deposit | (127) | (204) |
| Accounts receivable | (30,316) | 807 |
| Prepaid expenses | 7,084 | 4,724 |
| Accounts payable and accrued liabilities | 786 | (4,503) |
| Government remittances payable | 16 | 281 |
| | <u>79,846</u> | <u>(14,007)</u> |
| Financing activity | | |
| Repayment of obligation under capital lease | (4,886) | (4,886) |
| Net change in cash | 74,960 | (18,893) |
| Cash, beginning of year | 32,351 | 51,244 |
| Cash, end of year | <u>107,311</u> | <u>32,351</u> |

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

Central Ontario Standardbred Association

Notes to the financial statements

June 30, 2013 and June 30, 2012

1. Description of the Association

Central Ontario Standardbred Association (the "Association") is a Not-for-Profit Association that was incorporated without share capital on June 30, 2009 under the laws of Ontario. The Association represents the interests of horsepeople racing at Mohawk and Woodbine race tracks.

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

2. Adoption of a new accounting framework

During the year ended June 30, 2013, the Association adopted the new accounting standards for not-for-profit organizations ("ASNPO") issued by the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") and set out in Part III of the CICA Handbook. In accordance with Section 1501 of Part III of the CICA Handbook, First-time adoption, ("Section 1501"), the date of transition to the new standards is July 1, 2011 and the Association has prepared and presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for the Association's accounting under the new standards. In its opening statement of financial position, under the recommendations of Section 1501, the Association:

- (a) recognized all assets and liabilities whose recognition is required by the new standards;
- (b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- (c) reclassified items that it recognized previously as one type of asset, liability or component of fund balance, but are recognized as a different type of asset, liability or component of fund balance under the new standards; and
- (d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively excluding cases where optional exemptions available under Section 1501 have been applied.

Impact of the adoption of the new standards

The adoption of the new standards had no impact on the Association's statement of operations and net assets for the year ended June 30, 2012 or on net assets as at July 1, 2011, the date of transition.

The Association now discloses a statement of cash flows as a result of the transition to the new accounting standards.

Government remittances

The new standards require separate disclosure of the amount of government remittances payable. As at June 30, 2012 there was \$4,194 and as at July 1, 2011 there was \$3,913 requiring reclassification.

3. Accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

Cash

Cash consists of cash on hand and balances in the bank.

Central Ontario Standardbred Association

Notes to the financial statements

June 30, 2013 and June 30, 2012

3. Accounting policies (continued)

Capital assets

Capital assets are recorded at cost. Amortization is based on their estimated useful life using the following methods and rates:

| | | |
|------------------------|---------------------|---------|
| Office equipment | Diminishing balance | 20% |
| Computer equipment | Diminishing balance | 20% |
| Software | Diminishing balance | 50% |
| Courtesy vehicle | Straight line | 5 years |
| Leasehold improvements | Straight line | 5 years |
| Leased equipment | Straight line | 5 years |

Amortization on capital asset additions and disposals is prorated in the period the asset is acquired.

Financial instruments

The Association becomes a party to the contractual provisions of the financial instrument. Subsequently, they are carried at fair value with changes in fair value recorded in the statement of operations and net assets. All other financial instruments are measured at cost.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in the statement of operations and net assets as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Association recognizes in operations an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to operations in the period the reversal occurs.

Revenue recognition

Aggregate purse distributions are recognized as revenues in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant areas requiring management estimates include amortization of capital assets and calculation of accrued liabilities.

Central Ontario Standardbred Association

Notes to the financial statements
June 30, 2013 and June 30, 2012

4. Capital assets

| | June 30, 2013 | | |
|------------------------|------------------|-----------------------------|---------------|
| | Cost | Accumulated amortization | Total |
| | \$ | \$ | \$ |
| Office equipment | 26,778 | 20,976 | 5,802 |
| Computer equipment | 15,225 | 11,674 | 3,551 |
| Software | 4,841 | 4,841 | - |
| Courtesy vehicle | 6,843 | 5,018 | 1,825 |
| Leasehold improvements | 8,400 | 6,300 | 2,100 |
| Leased equipment | 24,429 | 19,257 | 5,172 |
| | <u>86,516</u> | <u>68,066</u> | <u>18,450</u> |

| | June 30, 2012 | | |
|------------------------|------------------|-----------------------------|---------------|
| | Cost | Accumulated amortization | Total |
| | \$ | \$ | \$ |
| Office equipment | 26,778 | 15,621 | 11,157 |
| Computer equipment | 15,225 | 8,629 | 6,596 |
| Software | 4,841 | 4,841 | - |
| Courtesy vehicle | 6,843 | 3,649 | 3,194 |
| Leasehold improvements | 8,400 | 4,620 | 3,780 |
| Leased equipment | 24,429 | 14,371 | 10,058 |
| | <u>86,516</u> | <u>51,731</u> | <u>34,785</u> |

| | July 1, 2011 | | |
|------------------------|-----------------|-----------------------------|---------------|
| | Cost | Accumulated amortization | Total |
| | \$ | \$ | \$ |
| Office equipment | 26,778 | 10,265 | 16,513 |
| Computer equipment | 15,225 | 5,584 | 9,641 |
| Software | 4,841 | 4,438 | 403 |
| Courtesy vehicle | 6,843 | 2,281 | 4,562 |
| Leasehold improvements | 8,400 | 2,940 | 5,460 |
| Leased equipment | 24,429 | 9,485 | 14,944 |
| | <u>86,516</u> | <u>34,993</u> | <u>51,523</u> |

Central Ontario Standardbred Association

Notes to the financial statements

June 30, 2013 and June 30, 2012

5. Obligation under capital lease

| | June 30, 2013 | June 30, 2012 | July 1, 2011 |
|--|------------------|------------------|-----------------|
| | \$ | \$ | \$ |
| Photocopier lease contract in the amount of \$24,429, repayable in quarterly instalments of \$1,254 bearing interest at 2.959%, maturing June 1, 2014. | 4,886 | 9,772 | 14,658 |
| Less: current portion | 4,886 | 4,886 | 4,886 |
| | - | 4,886 | 9,772 |

6. Financial instruments

Liquidity risk

The Association's objective is to have sufficient liquidity to meet its liabilities when due. The Association monitors its cash balances and cash flows to meet its requirements.

7. Benevolent fund

The Association has jointly established a benevolent fund with Woodbine Entertainment Group (WEG). WEG contributes \$200 per race day to the fund. The fund has been established to assist horsemen in need. The Association and WEG have formed a committee that approves each individual case to determine if they are eligible to receive assistance. COSA holds the assets and maintains the financial records of the fund. This fund has not been recorded in these financial statements.

8. Comparative information

Certain comparative figures have been reclassified to conform with current year's presentation.