Financial Statements of the operating fund of

CENTRAL ONTARIO STANDARDBRED ASSOCIATION

And Independent Auditors' Report thereon

Year ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Directors of Central Ontario Standardbred Association

Opinion

We have audited the financial statements of the operating fund of the Central Ontario Standardbred Association, which comprise:

- the statement of financial position as at June 30, 2022
- the statements of operations and net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the operating fund of Central Ontario Standardbred Association as at June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter – Basis of Presentation

We draw attention to Note 1 to the financial statements which describes the basis of preparation used in these financial statements and the purpose of the financial statements.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Hamilton, Canada
November 1, 2022

CENTRAL ONTARIO STANDARDBRED ASSOCIATION

Statement of Financial Position

June 30, 2022, with comparative information for 2021

		2022		2021 (unaudited)
Assets				
Current assets:				
Cash	$	534,870	$	393,326
Investments (note 2)		145,246		144,686
Accounts receivable		142,529		120,887
Prepaid expenses		14,088		15,344
		836,733		674,243
Capital assets (note 3)		18,050		22,102
	$	854,783	$	696,345
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 4)	$	23,437	$	48,250
Net assets		831,346		648,095
Commitments (note 5)				
	$	854,783	$	696,345

See accompanying notes to financial statements.

On behalf of the Board:

Bill O'Donnell Director

Director

CENTRAL ONTARIO STANDARDBRED ASSOCIATION

Statement of Operations and Net Assets

Year ended June 30, 2022, with comparative information for 2021

	2022	2021 (unaudited)
Revenues:		
WEG and Alliance revenue	$ 1,145,368	$ 909,308
Interest	1,697	2,793
	1,147,065	912,101
Expenses:		
Groom and member assistance	481,835	428,537
Salaries and benefits	202,583	198,291
General office administration	50,923	50,650
Insurance	99,862	106,249
Marketing and contributions to industry groups	112,486	45,159
Professional fees	5,305	13,623
Membership	6,768	13,460
Amortization	4,052	5,215
	963,814	861,184
Excess of revenues over expenses	183,251	50,917
Net assets, beginning of year	648,095	597,178
Net assets, end of year	$ 831,346	$ 648,095

See accompanying notes to financial statements.

CENTRAL ONTARIO STANDARDBRED ASSOCIATION

Statement of Cash Flows

Year ended June 30, 2022, with comparative information for 2021

		2022		2021 (unaudited)
Cash provided by (used in):				
Operations:				
Excess of revenues over expenses	$	183,251	$	50,917
Item not involving cash:				
Amortization		4,052		5,215
Changes in non-cash operating working capital:				
Accounts receivable		(21,642)		1,212
Prepaid expenses		1,256		(1,218)
Accounts payable and accrued liabilities		(24,813)		23,242
		142,104		(604,957)
Investing activities:				
Net change in GIC		(560)		(1,915)
Purchase of capital assets		–		(2,710)
		(560)		(4,625)
Increase in cash		141,544		74,743
Cash, beginning of year		393,326		318,583
Cash, end of year	$	534,870	$	393,326

See accompanying notes to financial statements.

Nature of operations:

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, Woodbine and Alliance race tracks.

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

1. **Significant accounting policies:**

Significant accounting policies adopted by the Association are as follows:

(a) Basis of presentation:

These financial statements only include the operating fund of the association and do not include the SRA and Benevolent funds.

The Association has selected the generally accepted accounting principles ("GAAP") to be Part III of the CPA Handbook, accounting standards for not-for-profit organizations.

(b) Cash:

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

(c) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate/Years
Office equipment	Declining balance	20%
Computer equipment	Declining balance	20%
Courtesy vehicle	Straight-line	5 years

The carrying amount of capital assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(d) 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.

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition when the Association becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Use of estimates:

The preparation of the separate financial statements of the operating fund 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets and provision for impairment of accounts receivable. Actual results could differ from those estimates

(g) Government assistance:

The Association periodically applies for financial assistance under available government incentive programs. Government assistance related to current expenses and revenue is included in the determination of net income for the period. The Association recognized government assistance as other income.

2. Investments:

Investments consist of guaranteed investment certificates with annual interest rates ranging between 0.34% and 0.42% with maturity dates ranging from December 2, 2022 to January 31, 2023.

3. Capital assets:

						2022
		Cost		Accumulated amortization		Net book value
Office equipment	$	28,619	$	24,078	$	4,541
Computer equipment		21,822		8,313		13,509
	$	50,441	$	32,391	$	18,050

						2021
		Cost		Accumulated amortization		Net book value
Office equipment	$	28,619	$	23,058	$	5,561
Computer equipment		21,822		5,281		16,541
	$	50,441	$	28,339	$	22,102

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at June 30, 2022 are government remittances payable of $8,955 (2021 - $3,376) relating to payroll taxes, health taxes and workers' safety insurance.

5. Commitments:

The Association is committed to future payments for premises as follows:

2022	$	1
2023		1
2024		1

6. Financial instruments:

(a) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity by monitoring its cash balances and cash flows. The Association prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2021.

(b) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association is not exposed to significant credit risk. There has been no change to the risk exposure from 2021.

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 horsepeople in need. The Association has formed a committee that approves each individual case to determine if they are eligible to receive assistance. The Association holds the assets and maintains the financial records of the fund. The Association distributed funds in the amount of $40,996 during 2022 (2021 - $37,814) to eligible horsepeople who made application to the benevolent fund.

8. Standardbred Revenue Allocation (SRA) marketing fund:

On April 12, 2019, the Association received SRA marketing funds from WEG. The funds are to be used for industry marketing programs and to promote standardbred racing in the province. The Association holds and maintains the SRA funds.

9. Impact of Coronavirus COVID-19 Pandemic:

During the year the Association received $nil (2021 - $30,492) of government assistance recognized in income, related to the Federal Government's Canada Emergency Wage Subsidy program ("CEWS program") which provides employers with relief for wages up to a prescribed maximum amount per claim period based on declines in revenue. The CEWS program is directly related to the COVID-19 pandemic. The Association has determined that it is an eligible entity under the criteria of the CEWS program and has recognized the claim periods for which the Association determined it was eligible based on the decline in revenue.