Doane Grant Thornton

Financial Statements

Standardbred Canada
(Incorporated under the Animal Pedigree Act)

October 31, 2024

Contents

Independent Auditor's Report

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To the Members of
Standardbred Canada

Opinion

We have audited the financial statements of Standardbred Canada (the "Association"), which comprise the statement of financial position as at October 31, 2024, and the statements of operations, changes in net assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at October 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASNPO, 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 Association's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities 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 auditor's 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 these 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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Association 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.

We 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.

Doane Grant Thornton LLP

Mississauga, Canada
January 30, 2025

Chartered Professional Accountants
Licensed Public Accountants

Standardbred Canada
Statement of Operations

Year ended October 31	2024	2023
Revenue		
Computer services	$ 1,197,592	$ 1,134,411
Trot magazine	1,054,471	1,076,919
Membership services	893,777	884,720
Track fees	775,858	747,089
Membership dues and licensing fees	724,443	708,166
Identification	302,377	274,833
Rent	220,002	130,506
Miscellaneous income	163,556	72,184
Stake and administrative services	159,259	131,453
Investment income	137,714	50,389
Horse sales and pedigree sales	90,956	107,204
Canada AgriAssurance Grant	-	239,203
	5,720,005	5,557,077
Expenses		
Information technology	1,545,472	1,503,110
General and administrative	1,119,192	1,151,770
Customer services	795,725	753,715
Trot magazine	723,906	689,656
Occupancy costs	500,457	437,358
Industry marketing and business development	486,659	814,896
Identification	225,900	204,960
Member insurance	102,730	193,911
Travel and meetings	87,208	90,027
Sales and stakes	48,839	47,804
Horse sales	28,615	43,347
Industry and government relations	11,284	53,075
	5,675,987	5,983,629
Excess (deficiency) of revenue over expenses	$ 44,018	$ (426,552)

See accompanying notes to the financial statements.

Standardbred Canada

Statement of Changes in Net Assets

Year ended October 31

	Unrestricted	Invested in property, equipment and software	Internally restricted	**2024 Total**	2023 Total
Net assets, beginning of year	$ 742,326	$ 2,956,922	$ 300,000	**$ 3,999,248**	$ 4,425,800
Excess (deficiency) of revenue over expenses	474,007	(429,989)	-	**44,018**	(426,552)
Transfer for purchase of property, equipment and software	(244,823)	244,823	-	**-**	-
Net assets, end of year	$ 971,510	$ 2,771,756	$ 300,000	**$ 4,043,266**	$ 3,999,248

See accompanying notes to the financial statements.

Standardbred Canada
Statement of Financial Position

October 31	2024	2023
Assets		
Current		
Cash	**$ 1,475,534**	$ 1,144,767
Investments (Note 3)	**1,078,207**	1,005,836
Accounts receivable	**548,502**	971,434
Supplies and prepaid expenses	**37,306**	23,220
	3,139,549	3,145,257
Property and equipment (Note 4)	**2,699,874**	2,697,817
Software (Note 5)	**71,882**	259,105
	$ 5,911,305	$ 6,102,179
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 410,193**	$ 324,082
Stake programs	**364,652**	332,852
Deferred revenue	**186,620**	169,735
Deferred membership revenue	**383,019**	369,586
Long-term debt (Note 7)	**41,333**	383,068
	1,385,817	1,579,323
Long-term debt (Note 7)	**482,222**	523,608
	1,868,039	2,102,931
Net assets		
Unrestricted	**971,510**	742,326
Invested in property, equipment and software	**2,771,756**	2,956,922
Internally restricted - reserve for computer replacement	**300,000**	300,000
	4,043,266	3,999,248
	$ 5,911,305	$ 6,102,179

Commitments (Note 4)

On behalf of the Board of Directors

____________________________ Director ____________________________ Director

See accompanying notes to the financial statements.

Standardbred Canada
Statement of Cash Flows

Year ended October 31	2024	2023
Increase (decrease) in cash		
Operating activities		
Excess (deficiency) of revenue over expenses	**$ 44,018**	$ (426,552)
Items not involving cash		
Unrealized gains in investments	**37,822**	1,631
Amortization – property and equipment	**242,766**	177,217
Amortization – software	**187,223**	226,394
	511,829	(21,310)
Net change in non-cash operating working capital items		
Accounts receivable	**422,932**	(288,625)
Supplies and prepaid expenses	**(14,086)**	42,953
Accounts payable and accrued liabilities	**86,111**	7,898
Stake programs	**31,800**	51,267
Deferred revenue	**16,885**	14,260
Deferred membership revenue	**13,433**	17,983
	1,068,904	(175,574)
Financing activities		
Repayment of long-term debt	**(383,121)**	(64,191)
Investing activities		
Net change in investments	**(110,193)**	(220,318)
Purchase of property and equipment	**(244,823)**	(864,713)
Purchase of software	**-**	(5,416)
	(355,016)	(1,090,447)
Increase (decrease) in cash	**330,767**	(1,330,212)
Cash, beginning of year	**1,144,767**	2,474,979
Cash, end of year	**$ 1,475,534**	$ 1,144,767

See accompanying notes to the financial statements.

1. Nature of operations

Standardbred Canada (the "Association") was incorporated under the Animal Pedigree Act to be the official registry and recordkeeping body and a national leader that informs, inspires, drives and records information on standardbred racing and breeding for the standardbred industry in Canada.

The Association promotes and protects the standardbred breed and the persons who own, breed or race standardbred horses through:

a) The registration and identification of standardbred horses and the keeping of pedigrees;
b) The maintenance, preservation and dissemination of records regarding the breeding and racing of standardbred horses; and
c) The promotion of harness racing and standardbred horses.

The Association is a not-for-profit organization and is exempt from income taxes under section 149(1) of the Income Tax Act.

2. Summary of significant accounting policies

The Association follows accounting policies that conform to Canadian accounting standards for not-for-profit organizations. The following is a summary of significant accounting policies adopted by the Association in the preparation of the financial statements.

Revenue recognition

Membership dues and licensing fees are recorded as revenue of the fiscal year to which they relate. Deferred membership revenue represents membership dues which have been received but not earned. The membership year is coincidental with the member's birth date.

Horse sales represent commission and entry fees earned by the Association on the sale of standardbred horses. The Association is an agent for these sales and does not act as principal. In its role as agent, the Association collects proceeds from the sales and remits net proceeds to the consignor.

Investment income comprises interest, dividends, and realized and unrealized gains.

Canada AgriAssurance Grant is government assistance and is recognized in the statement of operations in the year the related expenses are incurred.

All other revenue is recognized when services have been performed, amounts can be reasonably estimated, and collection is reasonably assured. Deferred revenue represents fees for services that have been received but not earned.

Financial instruments

The Association considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Association's financial instruments include cash, investments, accounts receivable, accounts payable, stake programs and long-term debt.

Financial assets or liabilities are initially measured at their fair value. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Financing fees and transaction costs relating to financial instruments that are measured subsequently at fair value are recognized in the statement of operations in the year in which they are incurred.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

At each reporting date, the Association measures its financial assets and liabilities at amortized cost, except for equities and mutual funds, which consist of equities and mutual funds quoted in an active market and must be measured at fair value, and stake programs liabilities, which the Association has designated to measure at fair value. The Association uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations.

For financial assets measured at amortized cost, the Association regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Association determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, the Association recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in the statement of operations in the year the reversal occurs.

Property and equipment and software

Property and equipment and software are stated at cost less accumulated amortization. Amortization is provided at rates designed to charge to operations the cost of property and equipment and software, on a straight-line basis over the estimated useful lives, as follows:

Building	40 years
Building improvements	10 years
Computer equipment	3 years
Vehicles	5 years
Other equipment	3 to 10 years
Purchased software	3 years
Internally generated software	7 years

The Association has chosen to capitalize software development costs that meet the criteria for capitalization as an internally generated intangible asset. Capitalization of software under development ceases when the software is substantially complete and available for use. Amortization commences upon initial utilization of the software.

Property and equipment and software are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset’s fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of operations. Any impairment recognized is not reversed.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the statement of financial position date. Revenue and expenses denominated in foreign currencies are translated at the exchange rate in effect on the date of each transaction. Foreign currency gains or losses are included in the determination of the excess (deficiency) of revenue over expenses for the year.

2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of 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 reporting period. Items requiring significant estimates and subject to measurement uncertainty include determination of the allowance for doubtful accounts receivable, and the useful lives and impairment of property and equipment and software. By their nature, these estimates are subject to measurement uncertainty. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations in the period in which they become known.

3. Investments

Short-term investments consist of guaranteed investment certificates (GICs) and treasury bills, equities and mutual funds that are intended to mature within one year. The GICs and treasury bills bear interest at annual rates ranging from 4.10% to 5.14% (2023 - 4.85% to 5.59%).

	2024	2023
GICs and treasury bills	**$ 711,692**	$ 715,731
Equities	**257,853**	290,105
Mutual funds	**108,662**	-
	$ 1,078,207	$ 1,005,836

4. Property and equipment

	Cost	Accumulated Amortization	**2024 Net Book Value**	2023 Net Book Value
Land	$ 813,629	$ -	**$ 813,629**	$ 813,629
Building and building improvements	3,896,588	2,206,031	**1,690,557**	1,676,668
Computer equipment	1,178,060	1,155,758	**22,302**	34,181
Vehicles	115,257	93,632	**21,625**	28,833
Other equipment	1,331,915	1,180,154	**151,761**	144,506
	$ 7,335,449	$ 4,635,575	**$ 2,699,874**	$ 2,697,817

The Association has commitments of $Nil (2023 - $185,480) related to building improvements expected completed during fiscal 2024.

5. Software

Purchased software and internally generated software are recorded at cost of $162,158 (2023 - $162,158) and $1,963,045 (2023 - $1,963,045), respectively, less accumulated amortization of $160,353 (2023 - $158,548) and $1,892,968 (2023 - $1,707,550), respectively.

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is $34,736 (2023 - $42,310) in government remittances payable relating to sales taxes payable.

7. Long-term debt

On February 16, 2021, the Association entered into a $400,000 loan with its bank, bearing interest at 2.69%, and matured on April 9, 2024. On June 22, 2022, the Association entered into a $620,000 loan with its bank, bearing interest at 6.83%, maturing on June 24, 2027. The loans are secured by a general security agreement, a first fixed charge on the lands and improvements of 2150 Meadowvale Blvd and the assignment of rents of 2150 Meadowvale Blvd.

The long-term debt principal is repayable over the next three years as follows:

2025	$ 41,333
2026	41,333
2027	440,889
	$ 523,555

8. Credit facility agreement

The Association has an operating facility totalling $250,000, which bears interest at the bank's prime lending rate plus 1.85%, is unsecured and is repayable on demand. At October 31, 2024, $Nil (2023 - $Nil) was drawn on this facility.

9. Financial instrument risk management

Risk management relates to the understanding and active management of risks associated with all areas of operations and the associated operating environment. The Association's financial instruments, which are unchanged from the prior year, are primarily exposed to credit, market and liquidity risks. The Association has formal policies and procedures that establish a target asset mix. The Association's policies also require diversification of investments within categories and set limits on exposure to individual investments.

Credit risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash, investments and accounts receivable.

Cash consist of deposits with a major Canadian banking institution which may exceed federally insured limits. Investments consist of GICs, treasury bills, and mutual funds, which carry an investment grade credit rating and are administered by a major Canadian financial institution.

9. Financial instrument risk management (continued)

Credit risk (continued)

Accounts receivable are due from a large membership and customer base, which is geographically dispersed. The Association evaluates its members' and customers' financial condition and limits the amount of credit extended when deemed necessary. The Association utilizes an allowance for doubtful accounts to record potential credit losses associated with its trade receivables, the balance of which was $27,440 at October 31, 2024 (2023 - $27,440). Credit losses to date have been within management's expectations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency, interest rate and other price risks.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association maintains bank accounts and investment accounts denominated in U.S. funds. As such, they are subject to foreign currency risk due to fluctuations in U.S. and Canadian exchange rates. Cash of $579,723 (2023 - $280,484) and investments of $212,439 (2023 - $161,118), denominated in U.S. funds were translated at the year-end rate of 1.39 (2023 - 1.39).

Interest rate risk arises from the possibility that changes in interest rates will affect the value of long-term debt held by the Association. The Association manages this risk by entering into a fixed rate debt arrangement in an environment where interest rates are anticipated to increase in the future.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Association manages this risk by holding a large portion of its portfolio in investment grade equities.

Liquidity risk

Liquidity risk is the risk the Association will encounter difficulties in meeting its financial liability obligations. Liquidity risk primarily impacts the Association's accounts payable, stake programs and long-term debt. The Association manages its liquidity risk through cash management.

10. Capital management

The Association's main objective when managing capital is to safeguard the Association's ability to continue as a going concern, so that it can continue to provide services to members and benefits for other stakeholders.

The Association sets the amount of capital in proportion to risk. The Association manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Association may adjust the timing of expenditures or sell assets to meet obligations as they come due, particularly obligations relating to stake events. Because computer functionality is fundamental to the Association's survival, the Association maintains a $300,000 internally restricted reserve for computer replacement.