



Financial statements

Standardbred Canada

(Incorporated under the *Animal Pedigree Act*)

October 31, 2010

# Contents

	<b>Page</b>
Auditors' report	1
Statement of operations	2
Statement of changes in net assets	3
Statement of financial position	4
Statement of cash flows	5
Notes to the financial statements	6 - 11

## Auditors' report

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To the Members of  
Standardbred Canada

We have audited the statement of financial position of Standardbred Canada as at October 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the association as at October 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Mississauga, Canada  
December 22, 2010

*Grant Thornton LLP*

Chartered accountants  
Licensed Public Accountants

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# Standardbred Canada

## Statement of operations

For the year ended October 31

2010

2009

### Revenue

Membership dues and licensing fees	\$ 989,416	\$ 1,052,126
Track fees	866,628	859,923
Membership services	1,433,881	1,504,074
Identification	310,157	352,319
Trot magazine	1,171,504	1,103,915
Horse sales	754,629	838,894
Pedigree and stake services	81,455	114,371
Computer services	815,204	789,074
Rent	78,122	73,369
Interest income	73,897	95,275
Miscellaneous income	179,627	158,962
Marketing programs and business development	39,358	130,976
	<u>6,793,878</u>	<u>7,073,278</u>

### Expenses

General and administrative	1,758,987	1,592,575
Information technology	1,083,160	1,178,470
Member services	368,353	389,658
Member insurance	279,022	279,121
Field services	569,798	601,846
Identification	299,546	371,209
Horse sales	502,637	578,072
Trot magazine	801,350	760,129
Industry marketing and business development	336,762	599,851
Sales and stakes	233,795	314,905
Travel and meetings	150,605	145,060
Occupancy costs	304,180	286,482
	<u>6,688,195</u>	<u>7,097,378</u>

Excess (deficiency) of revenue over expenses	\$ <u>105,683</u>	\$ <u>(24,100)</u>
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See accompanying notes to the financial statements.

## Standardbred Canada

### Statement of changes in net assets

For the year ended October 31

					2010	2009
	<u>Unrestricted</u>	<u>Invested in property and equipment</u>	<u>Fair value adjustment</u>	<u>Internally restricted</u>	<u>Total</u>	<u>Total</u>
Net assets - beginning of year	\$ 805,418	\$ 2,268,878	\$ 50,876	\$ 300,000	\$ 3,425,172	\$ 3,449,272
Excess (deficiency) of revenue over expenses	338,977	(233,294)	-	-	105,683	(24,100)
Unrealized gain related to fair value of liabilities	8,887	-	(8,887)	-	-	-
Transfer for purchase of capital assets	<u>(296,562)</u>	<u>296,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets - end of year	\$ <u>856,720</u>	\$ <u>2,332,146</u>	\$ <u>41,989</u>	\$ <u>300,000</u>	\$ <u>3,530,855</u>	\$ <u>3,425,172</u>

See accompanying notes to the financial statements.

# Standardbred Canada

## Statement of financial position

October 31

2010

2009

### Assets

#### Current

Cash and cash equivalents	\$ 1,577,252	\$ 1,418,631
Investments (Note 4)	1,365,025	1,194,502
Receivables	896,201	925,962
Supplies and prepaid expenses	<u>85,005</u>	<u>68,240</u>
	<b>3,923,483</b>	<b>3,607,335</b>

Investments (Note 4)	642,996	1,013,382
Property and equipment (Note 5)	<u>2,332,146</u>	<u>2,268,878</u>
	<b>\$ 6,898,625</b>	<b>\$ 6,889,595</b>

### Liabilities

#### Current

Payables and accruals	\$ 527,478	\$ 385,935
Current portion of term loans (Note 7)	15,378	15,378
Due to consignors (Note 8)	1,315,655	1,438,888
Canadian Breeders Championships and other stake events	374,051	438,583
Deferred revenue	139,692	139,047
Deferred membership revenue	<u>516,254</u>	<u>557,958</u>
	<b>2,888,508</b>	<b>2,975,789</b>

Canadian Breeders Championships and other stake events	435,789	430,472
Term loans (Note 7)	<u>43,473</u>	<u>58,162</u>
	<b>3,367,770</b>	<b>3,464,423</b>

### Net assets

Unrestricted	856,720	805,418
Invested in property and equipment	2,332,146	2,268,878
Unrealized gain related to fair value of liabilities	41,989	50,876
Internally restricted - reserve for computer replacement	<u>300,000</u>	<u>300,000</u>
	<b>3,530,855</b>	<b>3,425,172</b>
	<b>\$ 6,898,625</b>	<b>\$ 6,889,595</b>

On behalf of the board

\_\_\_\_\_ Director \_\_\_\_\_ Director

See accompanying notes to the financial statements.

# Standardbred Canada

## Statement of cash flows

For the year ended October 31

2010

2009

### Increase (decrease) in cash and cash equivalents

#### Cash from operations

Excess (deficiency) of revenue over expenses	\$ 105,683	\$ (24,100)
Non-cash items		
Amortization	233,294	246,511
Interest accretion of Canadian Breeders Championships and other stake events - net	(8,887)	(23,391)
Net change in non-cash operating working capital		
Receivables	29,761	(225,280)
Supplies and prepaid expenses	(16,765)	29,381
Payables to accruals	141,543	(6,382)
Canadian Breeders Championships and other stake events	(50,328)	(38,821)
Due to consignors	(123,233)	1,434,103
Deferred revenue	645	9,670
Deferred membership revenue	(41,704)	(28,118)
	<u>270,009</u>	<u>1,373,573</u>

#### Financing

Repayment of bank indebtedness	-	(182,524)
(Repayment of) proceeds from term loans	(14,689)	31,549
	<u>(14,689)</u>	<u>(150,975)</u>

#### Investing

Proceeds from (purchase of) investments - net	199,863	(218,840)
Purchase of property and equipment	(296,562)	(241,816)
	<u>(96,699)</u>	<u>(460,656)</u>

Increase in cash and cash equivalents	158,621	761,942
Cash and cash equivalents - beginning of year	<u>1,418,631</u>	<u>656,689</u>
Cash and cash equivalents - end of year	\$ <u>1,577,252</u>	\$ <u>1,418,631</u>

See accompanying notes to the financial statements.

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# **Standardbred Canada**

## **Notes to the financial statements**

October 31, 2010

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### **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 voice in the development, growth, marketing and promotion of the standardbred industry in Canada.

Standardbred Canada ensures the integrity and encourages the growth of the standardbred industry in Canada for the benefit of the industry’s participants and customers by providing a national forum for consideration and resolution of issues; operating a comprehensive database and recordkeeping system; representing the industry nationally and internationally; and developing marketing and promotion.

Its objectives are to record, collect, publish and preserve data and documents relating to the breeding, origin and racing of standardbred horses.

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### **2. Summary of significant accounting policies**

#### **Revenue recognition**

Membership fees are voluntary and are recorded as received. Deferred revenue represents net membership fees 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.

Other revenues are recognized when services have been performed, amounts can be reasonably estimated, and collection is reasonably assured.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks and insurance companies, and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

#### **Investments**

Short and long term investments are classified as held for trading and are carried at fair value.



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# Standardbred Canada

## Notes to the financial statements

October 31, 2010

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### 2. Summary of significant accounting policies (continued)

#### Property and equipment

Property and equipment are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building	- 40 years
Building improvements	- 10 years
Leasehold Improvements	- 5 years
Computer equipment	- 3 years
Other equipment	- 3 to 10 years
Vehicles	5 years

#### Long-lived assets

Long-lived assets held and used by the association are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes that there has been no impairment of the association's long-lived assets as of October 31, 2010.

#### Income taxes

The association is a non-profit organization and is exempt from income taxes under section 149(1) of the Income Tax Act.

#### Use of estimates

In preparing the association's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the period. Actual results could differ from these estimates.

#### Financial instruments – recognition and measurement

Financial assets must be classified as either held for trading, held to maturity ('HTM'), available-for-sale ('AFS') or loans and receivables. Financial liabilities are classified as held for trading or other. Initially, all financial assets and financial liabilities must be recorded on the statement of financial position at fair value with subsequent measurement determined by the classification of each financial asset and liability.

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# Standardbred Canada

## Notes to the financial statements

October 31, 2010

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### 2. Summary of significant accounting policies (continued)

Financial assets and financial liabilities held for trading are measured at fair value with the changes in fair value reported in the statement of operations. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading are measured at amortized cost. AFS financial assets are measured at fair value with changes in fair value reported in the statement of changes in net assets until realized through sale or other than temporary impairment.

Cash and cash equivalents, investments and Canadian Breeders Championships and other stake events have been classified as held for trading. Receivables have been classified as loans and receivables. Payables and accruals, terms loans and due to consignors have been classified as other financial liabilities.

#### Adoption of new accounting policies

Effective November 1, 2009 the association adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

CICA Section 4400 - "Financial Statement Presentation" has been amended to permit a not-for-profit organization to present net assets invested in capital assets as a category of internally restricted net assets and clarification of presentation of revenue and expenses on a gross basis when the entity is acting as a principal in a transaction. Adoption of CICA Section 4400 has not had an impact on the association's financial reporting.

EIC 123, "Reporting Revenue Gross as a Principal versus Net as an Agent", has been expanded to expand its scope to include not-for-profit organizations consistent with the guidance in the exposure draft for Not-for-Profit Organizations. The exposure draft on Not for Profit Organizations includes a clarification that revenues and expenses must be recognized on a gross basis when a not for profit organization is acting as a principal in the subject transactions and on a net basis when the organization is not acting as a principal. Adoption of EIC 123 has not had an impact on the association's financial reporting.

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### 3. Financial instruments

#### Fair values

The fair values of cash and cash equivalents, receivables, payables and accruals and due to consignors are assumed to approximate their carrying amounts because of their short term to maturity. The carrying value of term loans approximate fair value due to their market rates of interest.

Investments have been recorded at quoted market values which represent fair value.

The Canadian Breeders Championships and other stake events liabilities have been discounted at the association's average rate of return of 2.5% to determine fair market value. The determination of the annual interest will be recognized primarily based on estimated future cash flows. The association expects to pay the full face value of the liabilities.

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# Standardbred Canada

## Notes to the financial statements

October 31, 2010

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### 3. Financial instruments (continued)

#### Credit risk

The association is subject to credit risk through trade receivables. Credit risk is minimized by a large customer base and its geographic dispersion. The association performs ongoing credit evaluations of its 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 \$17,000 at October 31, 2010 (2009 - \$76,338). Credit losses to date have been within management's expectations.

#### Interest rate risk

The association is subject to interest rate risk as a result of using variable rate debt to finance its operations.

#### Market risk and currency risk

It is management's opinion that the association is not exposed to significant market or currency risks arising from these financial instruments.

#### Liquidity Risk

Liquidity risk is the risk the association will encounter difficulties in meeting its financial liability obligations. The association manages its liquidity risk through cash and debt management.

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### 4. Investments

Short term investments consist of guaranteed investment certificates, treasury bills and government bonds which bear interest at rates ranging from 1% to 4% and have maturities of less than 365 days.

Long term investments consist of guaranteed investment certificates, which bear interest at rates ranging from 2% to 4.5% and have maturities of greater than one year.

# Standardbred Canada

## Notes to the financial statements

October 31, 2010

<b>5. Property and equipment</b>		<u>2010</u>	<u>2009</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 813,629	\$ -	\$ 813,629	\$ 813,629
Building and building improvements	2,238,388	1,031,511	1,206,877	1,046,376
Leasehold Improvements	276,945	140,821	136,124	166,861
Computer equipment	1,599,321	1,553,660	45,661	71,936
Other equipment	1,048,637	965,202	83,435	108,289
Vehicles	<u>84,010</u>	<u>37,590</u>	<u>46,420</u>	<u>61,787</u>
	<u>\$ 6,060,930</u>	<u>\$ 3,728,784</u>	<u>\$ 2,332,146</u>	<u>\$ 2,268,878</u>

### 6. Bank indebtedness

The association has an operating facility totalling \$250,000 which was unused at October 31, 2010. The facility bears interest at the bank's prime lending rate, is unsecured and is repayable on demand.

### 7. Term Loan

	<u>2010</u>	<u>2009</u>
Loan payable – zero interest due September 2014, repayable in monthly principal instalments of \$591.	\$ 27,796	\$ 34,894
Loan payable – zero interest due June 2014, repayable in monthly principal instalments of \$690.	<u>31,055</u>	<u>38,646</u>
	<u>58,851</u>	<u>73,540</u>
Less: current portion	<u>15,378</u>	<u>15,378</u>
	<u>\$ 43,473</u>	<u>\$ 58,162</u>

Principal repayments in each of the next five years are as follows:

2011	15,378
2012	15,378
2013	15,378
2014	12,717

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# Standardbred Canada

## Notes to the financial statements

October 31, 2010

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### 8. Due to consignors

Of the total balance due to consignors, \$1,071,392 (2009 - \$1,256,416) has been collected from third parties and is included in cash and cash equivalents. The remaining balance of \$244,263 (2009 - \$182,472) due to consignors has not yet been collected and is included in receivables.

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### 9. Capital

The association's main objective when managing capital is to safeguard the entity'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 reduce debt and meet obligations as they come due, particularly obligations relating to Canadian Breeders Championship and other stake events.

Because computer functionality is fundamental to the association's survival, the association maintains a \$300,000 internally restricted reserve for computer replacement.

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### 10. Peel Condominium Corporation No. 467 (PCC)

PCC is a separate non-profit corporation responsible for the management and maintenance of the incumbent areas (such as the driveway and exterior landscaping) of the head office building, of which both units are owned by Standardbred Canada.

Throughout the year, Standardbred Canada was the sole director of PCC.

The financial statements of Standardbred Canada do not include the financial activities of PCC as the activities are considered immaterial to these financial statements.

During the year, Standardbred Canada paid \$160,800 (2009 - \$157,200) in condominium fees to PCC which has been included in occupancy costs in the statement of operations and received \$14,400 (2009 - \$13,200) with respect to management and administration fees which has been included in miscellaneous income in the statement of operations.

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### 11. Comparative figures

Certain of the comparative figures have been reclassified to conform with financial statement presentation adopted in the current year.